RNS Number : 9745E
S & U PLC
15 April 2025

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**S&U plc**
("S&U", "the Group" or "the Company")

## PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2025

S&U plc (LSE: SUS), the motor finance and specialist lender, today announces its preliminary results for the year ended 31 January 2025.

**Group Key Financials:**

- Revenue stable at £115.6m (2024: £115.4m)
- Profit before tax ("PBT"): £24.0m (2024: £33.6m)
- Group net receivables at year-end at £435.8m (2024: £462.9m)
- Group impairment charge of £35.6m (2024: £24.2m) reflecting increased motor arrears
- Group net finance costs at £18.1m (2024: £15.1m) reflecting higher average borrowings
- Basic earnings per share: 147.4p (2024: 209.2p)
- Final dividend of 40p per ordinary share to be paid on 25 July 2025 (2024: 50p)
- Net Borrowings at £192.3m (2024: £224.4m) - gearing at 80.8% (2024: 95.8%)

**Advantage Motor Finance Highlights:**

- Revenue: £91.8m (2024: £98.2m)
- PBT: £16.5m (2024: £28.8m)
- Impairment charge: £33.2m (2024: £23.3m) reflecting increased motor arrears
- Live monthly repayments at 86% of due (2024: 92%)
- Annual net advances: £109.4m (2024: £175.9m)
- Net receivables at year end at £283.6m (2024: £332.5m)

**Aspen Bridging Highlights:**

- Record revenue increased to £23.8m (2024: £17.3m)
- PBT increased to a record £7.2m (2024: £4.8m)
- Annual PBT performance underpinned by good advances at sensible Loan-to-Values
- Good repayments this year with only 15 loans past due at 31 January 2025 (2024: 15)
- Net receivables increased to £152.2m (2024: £130.4m)

**Anthony Coombs, Chairman of S&U plc stated:**
"Advantage, our resilient and established motor financier has undoubtedly had a difficult year owing to legal and regulatory challenges. However, these are now almost all resolved; hence, we view the future with optimism and recall an old American business adage: "If you want the rainbow, you gotta put up with the rain." As trading recovers with the formal conclusion of the FCA S166 process, we are confident that the experience, skill and determination of our people, together with a more supportive government, a more pragmatic regulator and a common-sensical Supreme Court, will lead to a rebound in Advantage's results. Meanwhile, our property lender, Aspen, has produced record profit and performance and beckons a very bright future. We therefore anticipate that S&U will be restored to its habitual path of steady and sustainable growth."

**For further information, please contact:**


| | | |
|---|---|---|
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## CHAIRMAN'S REVIEW

**Introduction**
For S&U as a Group, the financial year 2024/25 was hardly a vintage year. Fortunately, 2025/26 trading promises to be better. Group profit before tax for the year to 31 January 2025 was £24.0m (2024: £33.6m), as S&U's motor finance subsidiary, Advantage, faced the challenge of a regulatory engagement, which adversely affected its lending and collections performance but which is now concluded. Advantage profit before tax as a result, was £16.5m against £28.8m last year. These results contrasted with a superb performance from Aspen, our property lender, which produced record profit before tax of £7.2m (2024: £4.8m). EPS for the Group were 147.4p against 2024: 209.2p.

Overall therefore, 2024 was a year of consolidation and preparation for the rebound in performance anticipated at Advantage this year. Whilst Group net assets were marginally higher at £238.1m (2024: £234.2m), receivables were lower at £445m (2024: £466m). With net borrowings at just £198.1m against £224.2m last year. Group gearing fell from 95.8% to 80.8%.

Consolidation at Advantage was necessary due to what appeared to be a regulatory, legal and fiscal onslaught. This damaged consumer confidence in the motor finance industry, and at Advantage, constrained the way in which it historically dealt with its customers, as well as eroding the certainty required to invest in new transactions. However, our confidence in a rebound is based upon Advantage's significant work on customer relations, early results on debt quality and revived lending following the successful conclusion of the FCA's s166 engagement launched in 2023. In addition, there are encouraging signs that the FCA is adopting a more pragmatic and business-aligned regulatory approach, which will hopefully be mirrored in the impending Supreme Court decision on commission disclosure.

**Financial Highlights***

| | 2025 | 2024 |
|---|---|---|
| Revenue: | £115.6m | £115.4m |
| Profit before tax ("PBT"): | £24.0m | £33.6m |
| Earnings per share ("EPS") | 147.4p | 209.2p |
| Group net assets: | £238.1m | £234.2m |
| Group gearing*: | 80.8% | 95.8% |
| Group total repayments*: | £395.8m | £369.8m |
| Dividend proposed: | 100p per ordinary share | 120p |

* key alternative performance measurement definitions are given in note 2.4 below.

**Advantage Finance ("Advantage")**
As predicted in the February Trading Statement, such regulatory headwinds and associated increases in non-payers and vehicle recoveries have led to impairment increasing to £33m (2024: £23m) which has impacted Advantage's profit this year. Profit before tax was £16.5m (2024: £28.8m). Net receivables fell to £284m (2024: £332m) leading to lower total repayments of £215m (2024: £234m). These resulted from lower levels of advances and transactions, particularly since May last year. Transaction volumes ended at 12,703 this year against 21,565 in 2024.

There were two main reasons for this. First, a cost-of-living forbearance review by the FCA in late 2023 placed new restrictions on affordability and led to a significant fall in loan approvals and then transactions. Thus, the beginning of 2024 saw 5,153 new deal transactions in the first quarter, whilst new deal transactions were only 1992 in the fourth quarter, despite some improvement in January. The fall was concentrated on the lowest tier customers, whose imperfect credit records Advantage previously has been proud to accommodate and manage, with the consequence that these credit records in many cases improve.

In addition, new regulatory interpretations led Advantage to an understandably but perhaps overly cautious approach to underwriting. In the apparent absence of a uniform approach to this issue throughout the industry, this led to some loss of credibility for Advantage with introducers. This credibility is now being restored and has prompted a shift to lower risk, higher tier customers who now comprise 70% of new deals compared to 48% a year ago. Currently, customer transactions have rebounded to above budget levels and continue to improve. Nevertheless, a partial readjustment toward Advantage's higher margin, more traditional customer base is anticipated throughout this year.

The second contributor to Advantage's performance last year lay in the field of collections. A good customer outcome for non-prime borrowers has always required an understanding but focused management of their repayments, using forbearance where necessary. Unfortunately, evolving regulatory interpretations at times gave precedence to often subjective feelings of customer well-being over their contractual obligations and ability to continue to access credit. This led to an understandable loss of focus in Advantage's collections department, which was exacerbated by the early imposition in 2023 of voluntary regulatory restrictions by the FCA which curtailed any repossession activity, and even the mention of it to customers in arrears. As a result, up to date gross receivables fell from 74% to 65% of the book last year, and adherence to contracted repayments fell to 84% in the normally seasonally challenging final quarter, from an historic 92%. Fortunately, such oversteer is now being corrected as collection teams combine a refined approach to customer forbearance with more habitual forms of responsible collecting. Repayment adherence in February was back up to 88% and in March to 91% and average payment arrangements for customers in arrears have also now improved. The voluntary regulatory restrictions have now been lifted and a significant retraining programme is already boosting performance.

Obviously, given the challenges of the last year, much remains to be done at Advantage to restore normal levels of profitability. The operational and financial demands imposed by the recently concluded FCA s166 engagement will be lifted and our funding costs will reduce as interest rates are lowered, albeit more slowly than anticipated. Most of all transaction and collection trends should turn more positive. Whilst uncertainty regarding the Supreme Court decisions on commission disclosure overshadow the industry, I repeat my view that the judges will decide that equity, lack of customer harm and the public interest in a functioning consumer credit system will lead to a common sensical solution.

**Aspen Bridging**
Aspen, our bridging lender founded in 2017, has had an impressive year and continues to maintain its excellent progress. Profit before tax in 2025 was a record £7.2m, a full 50% up on 2024, whilst net assets rose by over 37% to £12.9m. Revenue was a record £23.8m as new loan transactions rose to 191 on record blended margins.

In total, a record £179m (2024: £144m) was lent, whilst collections were also at a record £179m (2024: £144m) demonstrating the quality of Aspen's book and its close relations with customers. The latter is ever more important since an increasing proportion of Aspen borrowers are experienced small developers undertaking refurbishment and new build projects to satisfy the undersupplied residential rental market. This has led to sustained rental increases and, unsurprisingly given ONS predictions that UK population will grow by 10 million to 72 million by 2032, house prices are predicted to increase by over 21% in the next five years.

All this is very good news for the bridging market and for Aspen. Whilst High Street bank lenders, burdened by risk weighting and minimum loan sizes beyond the range of SME builders, play a diminishing role, Aspen can benefit from a market expected to grow to 1.2m transactions in 2025/26. In contrast to the heavily regulated motor finance market, this is already attracting significant investment from institutions both in the UK and abroad. This will drive Aspen's growth next year.

However, prediction is not the same as achievement. Successful growth is earned by incessant attention to detail, flexible and imaginative product development, careful underwriting (Aspen gross loan to values have consistently been around 70% for several years) and, above all, investment in people.

Thus, during the last year new products have been introduced to allow longer and more flexible repayment options, larger development loans and also recently the introduction of Heter Iska products for the Orthodox Jewish market. Aspen's expanded business development division is expected to help drive over £50m of additional gross lending next year. Its recovery department has been augmented to maintain good debt quality and for the monitoring of a growing number of development and refurbishment loans.

Finally, all processes depend upon the people operating them. New training programmes and the qualifications they bring were mentioned earlier. As a result, staff turnover is now at a record low. It is on the enthusiasm and motivation of our people as much as the excellence of the current trading and the long-term prospects for Aspen's market, that our confidence in its future rests.

**Dividends**

Successful businesses primarily benefit shareholders, customers and staff. Whatever the recent enthusiasm for ESG, benefits for the wider community ultimately depend upon the profitability of businesses within it. This year we have, with the exception of senior directors, been able to insulate our staff from increases in the cost-of-living. Under the circumstances, and confident in a sustainable return to profit growth, the board proposes a final dividend of 40p per ordinary Share (2024: 50p). Subject to the approval of shareholders at our AGM on 18th June, this will be paid on 25th July to shareholders on the register on 4th July. Total dividends for the year will then be £1.00 per share (2024: £1.20).

**Funding and Treasury**

A year of consolidation at Advantage and excellent repayments at Aspen have seen net Group borrowings fall to £192.3m, £32m less than last year. These compare with Group funding facilities increased in 2023 to £280m with maturities stretching from May 27 to May 29. This gives good headroom albeit with uncertain potential liabilities resulting from the impending Supreme Court decision on commission disclosure.

The facts surrounding the three cases recently considered by the Supreme Court, and Advantage Finance's established commissions process, differ significantly. It is generally accepted that the fixed fee commission model operated by Advantage avoids consumer harm. My own commonsensical view therefore predicts that any exposure to customer redress following the Supreme Court judgement will be minimal. It is already evident that the chronic instability caused by recent legal interventions has had deleterious consequences for the whole UK consumer credit and banking sector, as well as for Advantage. Nevertheless, whatever the impending judicial decision we will deal with any outcome in our usual pragmatic, robust and experienced way.

**Governance and Regulation**

Faced with the above challenges at both industry and national level, there has been a natural shift in focus away from some of the more conceptual aspects of ESG programmes, both here and in the United States with a growing preference for practical, business-relevant initiatives.

At S&U, we have has always set high standards of behaviour. These are summarised in our mission statement and in "our values" which for decades have driven our customer and community relationships. Based upon a Christian ethos, they see sustained commercial success as absolutely dependent upon excellent customer service, well before Consumer Duty emerged from the regulator.

These values are crucially important in dealing with the estimated 17m to 18m people in Britain who may not have good enough credit histories to match those of middle- class consumers, but who without Advantage's discretion, would be denied the access to responsible finance they need. Rigid interpretations of affordability do not make these customers disappear. As has been seen since the demise of the home credit market, they merely resort to unlicensed lenders of an unscrupulous character.

Of course, S&U does engage in a number of charitable and community activities. This is not to satisfy an ESG agenda, but because it is the right thing to do. The Keith Coombs Trust which distributes at least £100k per year generally to charities for children and young people with physical and mental disabilities, is the fulcrum of S&U's charitable activity. Individual staff initiatives over the past year having included road trips to Africa, golf days in Birmingham and tree planting in Lincolnshire.

Finally, as outlined in our last trading statement we record the impending retirement of our Group Finance Director, Chris Redford and his replacement, initially as CFO, by Chris Freckelton. Our warm welcome to Chris Freckelton is only exceeded by our profound thanks and admiration for the role Chris Redford has played in the development of the Group over the past 25 years. Whatever the state of the waters through which S&U has sailed, Chris has provided the essential ballast and sense of direction so vital for a successful voyage. Personally, I have found his advice wise, grounded and well-intentioned. He will be missed, and we wish him a happy and contented retirement.

**Current Trading and Outlook**

Advantage, our resilient and established motor financier has undoubtedly had a difficult year owing to legal and regulatory challenges. However, these are now almost all resolved; hence, we view the future with optimism and recall an old American business adage: "If you want the rainbow, you gotta put up with the rain." As trading recovers with the formal conclusion of the FCA S166 process, we are confident that the experience, skill and determination of our people, together with a more supportive government, a more pragmatic regulator and a common-sensical Supreme Court, will lead to a rebound in Advantage's results. Meanwhile, our property lender, Aspen, has produced record profit and performance and beckons a very bright future. We therefore anticipate that S&U will be restored to its habitual path of steady and sustainable growth.

**Anthony Coombs**

**Chairman**

**14 April 2025**

**CONSOLIDATED INCOME STATEMENT**
**Year ended 31 January 2025**

| | Note | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **115,611** | 115,437 |
| Cost of Sales | 4 | **(16,384)** | (22,821) |
| Impairment charge | 5 | **(35,571)** | (24,203) |
| **Gross Profit** | | **63,656** | 68,413 |
| Administrative expenses | 6 | **(18,826)** | (19,767) |
| **Operating profit** | | **44,830** | 48,646 |
| Finance costs | 7 | **(18,118)** | (15,062) |
| **Profit before taxation before exceptional items** | | **26,712** | 33,584 |
| Exceptional Items | 8 | **(2,736)** | 0 |
| **Profit before taxation** | | **23,976** | 33,584 |
| Taxation | | **(6,063)** | (8,147) |
| **Profit for the year attributable to equity holders** | | **17,913** | 25,437 |
| Earnings per share basic | 10 | **147.4p** | 209.2p |
| Earnings per share diluted | 10 | **147.4p** | 209.2p |
| **Dividends per share** | | | |
| - Proposed Final Dividend | | **40.0p** | 50.0p |
| - Interim dividends in respect of the year | | **60.0p** | 70.0p |
| - Total dividend in respect of the year | | **100.0p** | 120.0p |
| - Paid in the year | | **115.0p** | 133.0p |

All activities derive from continuing operations

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| | 2025 £'000 | 2024 £'000 |
|---|---|---|
| **Profit for the year attributable to equity holders** | **17,913** | 25,437 |
| Actuarial loss on defined benefit pension scheme | **(33)** | (6) |
| Total Comprehensive Income for the year | **17,880** | 25,431 |

Items above will not be reclassified subsequently to the Income Statement

**CONSOLIDATED BALANCE SHEET**

**31 January 2025**

| | Note | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment including right of use assets | | **2,527** | 2,310 |
| Investments | | **-** | - |
| Amounts receivable from customers | 9 | **203,516** | 241,985 |
| Other receivables and prepayments | | **-** | - |
| Deferred tax assets | | **40** | 155 |
| | | **206,083** | 244,450 |
| **Current Assets** | | | |
| Amounts receivable from customers | 9 | **232,330** | 220,953 |
| Trade and other receivables | | **1,427** | 1,442 |
| Cash and cash equivalents | | **5,216** | 1 |
| | | **238,973** | 222,396 |
| **Total Assets** | | **445,056** | 466,846 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Bank overdrafts and loans | | **-** | (881) |
| Trade and other payables | | **(3,295)** | (4,897) |
| Current Tax Liabilities | | **(1,695)** | (564) |
| Lease Liabilities | | **(109)** | (170) |
| Provisions for liabilities and charges | | **(2,272)** | - |
| Accruals and deferred income | | **(1,473)** | (1,971) |
| | | **(8,844)** | (8,483) |
| **Non current liabilities** | | | |
| Borrowings | | **(197,500)** | (223,500) |
| Lease Liabilities | | **(183)** | (251) |
| Financial Liabilities | | **(450)** | (450) |
| | | **(198,133)** | (224,201) |
| **Total liabilities** | | **(206,977)** | (232,684) |
| **NET ASSETS** | | **238,079** | 234,162 |
| **Equity** | | | |
| Called up share capital | | **1,719** | 1,719 |
| Share premium account | | **2,301** | 2,301 |
| Profit and loss account | | **234,059** | 230,142 |
| **Total equity** | | **238,079** | 234,162 |

**STATEMENT OF CHANGES IN EQUITY**

**Year ended 31 January 2025**

| | Called up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| At 1 February 2023 | 1,719 | 2,301 | 220,865 | 224,885 |
| Profit for year | - | - | 25,437 | 25,437 |
| Other comprehensive income for year | - | - | (6) | (6) |
| Total comprehensive income for year | - | - | 25,431 | 25,431 |
| Dividends | - | - | (16,154) | (16,154) |
| At 31 January 2024 | 1,719 | 2,301 | 230,142 | 234,162 |
| Profit for year | - | - | 17,913 | 17,913 |
| Other comprehensive income for year | - | - | (33) | (33) |
| Total comprehensive income for year | - | - | 17,880 | 17,880 |
| Dividends | - | - | (13,963) | (13,963) |
| At 31 January 2025 | 1,719 | 2,301 | 234,059 | 238,079 |

**CONSOLIDATED CASH FLOW STATEMENT**
**Year ended 31 January 2025**

| | Note | 2025 £'000 | 2024 £'000 |
|---|---|---|---|
| **Net cash used in operating activities** | 12 | **64,991** | (446) |
| **Cash flows used in investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | | **41** | 76 |
| Purchases of property, plant and equipment | | **(726)** | (265) |
| Net cash used in investing activities | | **(685)** | (189) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | **(13,963)** | (16,154) |
| Finance cost paid | | **(18,118)** | (15,062) |
| Issue of new shares | | **-** | - |
| Receipt of new borrowings | | **-** | 173,500 |
| Repayment of borrowings | | **(26,000)** | (145,500) |
| Decrease in lease liabilities | | **(129)** | (166) |
| Net increase/(decrease) in overdraft | | **(881)** | 881 |
| Net cash generated from financing activities | | **(59,091)** | (2,501) |
| **Net increase/(decrease) in cash and cash equivalents** | | **5,215** | (3,136) |
| **Cash and cash equivalents at the beginning of year** | | **1** | 3,137 |
| **Cash and cash equivalents at the end of year** | | **5,216** | 1 |
| **Cash and cash equivalents comprise** | | | |
| Cash and cash in bank | | **5,216** | 1 |

There are no cash and cash equivalent balances which are not available for use by the Group (2024: £nil).

## 1. SHAREHOLDER INFORMATION

### 1.1 Preliminary Announcement

The figures shown for the year ended 31 January 2025 are not statutory accounts within the meaning of section 435 of the Companies Act 2006.The statutory accounts for the year ended 31 January 2025 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 January 2024 are not statutory accounts. A copy of the statutory accounts has been delivered to the Registrar of Companies, contained an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006. This announcement has been agreed with the Company's auditors for release. A copy of this preliminary announcement will be published on the website www.suplc.co.uk. The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

### 1.2 Annual General Meeting

The Annual General Meeting will be held on 18 June 2025 and further details of arrangements will be published in the AGM notice.

### 1.3 Dividend

If approved at the Annual General Meeting a final dividend of 40p per Ordinary Share is proposed, payable on 25 July 2025 with a record date of 4 July 2025.

### 1.4 Annual Report

The 2025 Annual Report and Financial Statements and AGM notice will be displayed in full on our website www.suplc.co.uk in due course and also posted to those Shareholders who have still opted to receive a hardcopy. Copies of this announcement are available from the Company Secretary, S & U plc, 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.

## 2. KEY ACCOUNTING POLICIES

The 2025 financial statements have been prepared in accordance with applicable accounting standards and accounting policies - these key accounting policies are a subset of the full accounting policies.

### 2.1 Basis of preparation

As a listed Group we are required to prepare our consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. We have also prepared our S&U plc Company financial statements in in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. Under S404 of the Companies Act 2006, the parent company S&U plc has taken exemption from reporting its own profit and loss. In respect of the UK Supreme Court hearing potential impact, the most stressed adverse scenario considered, which is unlikely but not implausible, could require the Group to take funding, litigation and other mitigating actions. However, management is confident that future cash flows of the Group and mitigating actions would be sufficient to settle liabilities should such an unlikely scenario occur. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the year ended 31 January 2025.

Having considered the Group's forecasts, capital and liquidity and the motor finance regulatory outlook including any potential impact arising from the UK Supreme Court hearing on vehicle finance commission disclosure, the directors 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 of at least 12 months from the date of the approval of the financial statements.

There are no new standards which have been adopted by the group this year which have a material impact on the financial statements of the Group.

All companies within the Group are 100% owned and consolidated and the assets, liabilities, costs and revenues are fully consolidated. All intercompany balances and transactions are eliminated on consolidation.

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 Group.
IFRS18 Presentation and Disclosure in Financial Statements will first mandatorily apply to S&U for the year ended 31 January 2027 - at point of implementation there should be no material impact on S&U as the changed reporting requirements under IFRS18 are presentational, although the full impact of this upcoming standard is yet to be determined.

### 2.2 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 in Advantage Finance which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), the group recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9 and also with the treatment adopted for similar assets in Aspen. 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.

cooling off period during which they can cancel their loan.

**2.3 Impairment and measurement of amounts receivable from customers**

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

Amortised cost includes a deduction for loan loss impairment provisions for expected credit losses ("ECL") assessed by the directors in accordance with the requirements of IFRS9.

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

The directors assess whether there is objective evidence that a loan asset or group of loan assets is credit impaired and should be classified as stage 3. A loan asset or a group of loan assets is credit 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 or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. Under IFRS 9 for all stage 1 accounts which are not credit impaired, a further collective provision for expected credit losses in the next 12 months is calculated and charged to the income statement.

Key assumptions in ascertaining whether a loan asset or group of loan assets is credit 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 IFRS9, all assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

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 IFRS9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book which is Stage 1. 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.

In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS9 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 historical 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 by our Motor Finance business, Advantage Finance, to calculate the expected loss impairment provisions in accordance with IFRS9. 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 motor finance loan falls one month or more in contractual arrears, then this is deemed credit impaired and included in IFRS9 Stage 3. There are some motor finance 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 required under IFRS9 the expected impact of movements in the macroeconomy is also reflected in the expected loss model calculations. For motor finance, assessments are made to identify the correlation of the level of impairment provision with forward looking external data regarding forecast future levels of employment, inflation, interest rates and used car values which may affect the customers' future propensity to repay their loan. The macroeconomic overlay assessments for 31 January 2025 reflect that further to considering such external macroeconomic forecast data, management have judged that, whilst less than at 31 January 2024, there is currently still a heightened risk of an adverse economic environment for our customers. To factor in such uncertainties, management has included an overlay for certain groups of assets to reflect this macroeconomic outlook, based on estimated unemployment and inflation levels in future periods. As at 31 January 2025, we have not included an overlay for used vehicle prices as we assume that used vehicle prices will now remain stable - this is the same assumption as at 31 January 2024. Further sensitivity over this estimation uncertainty is provided in note 2.5. 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 2024.

PD/LGD calculations for expected loss impairment provisions were also developed for our Property Bridging business Aspen Bridging in accordance with IFRS9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer becoming impaired in the next 12 months. The Bridging product has a single repayment scheduled for the end of the loan term and if a bridging loan is not granted an extension and is still outstanding beyond the end of the loan term then this is deemed credit impaired and included in IFRS9 Stage 3. Due mainly to the high values of property security attached to bridging loans, the bridging sector typically has lower credit risk and lower impairment than other credit sectors.

Assets in both our secured loan businesses 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. In motor finance 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.

**2.4 Performance Measurements**

i) Return on average capital employed before cost of funds (ROCE) is calculated as the Operating Profit divided by the average capital employed (total equity plus Bank Overdrafts plus Borrowings less cash and cash equivalents)

ii) Group gearing is calculated as the sum of Bank Loans and Overdrafts less cash and cash equivalents divided by total equity.

iii) Group total repayments are the total live monthly repayments, settlement proceeds and recovery collections in motor finance added to the total amount retained from advances, customer redemptions and recovery collections in property bridging.

**2.5 Critical accounting judgements and key sources of estimation uncertainty**

**2.5 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. Stage 2 currently includes customers who have a good payment record but have been identified as vulnerable by trained staff. Vulnerability can be driven by factors including health, life events, resilience or capability. All customer facing staff are trained to help recognise characteristics of vulnerability. Stage 2 previously included some pandemic payment holiday customers but these customers have all now had 12 months to re-establish their post-holiday payment track record and are therefore now either correctly included in another stage or their agreement has finished.

**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 1.5 above. In particular, the Group's impairment provision is dependent on estimation uncertainty in forward-looking on areas such as employment rates, inflation rates and used car and property prices.

The Group 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 our motor finance business

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

| | Base | Upside (30% decrease) | Downside (30 % increase) | Severe (50% increase) | Weighted |
|---|---|---|---|---|---|
| Weighting | 50% | 20% | 25% | 5% | |
| Q1 2025 | 4.50% | 3.15% | 5.85% | 6.75% | 4.68% |
| Q1 2026 | 4.70% | 3.15% | 5.85% | 6.75% | 4.68% |
| Q1 2027 | 4.80% | 3.36% | 6.24% | 7.20% | 4.89% |
| Q1 2028 | 4.80% | 3.36% | 6.24% | 7.20% | 4.89% |

Inflation rates were not previously been factored into the macroeconomic overlay prior to 31 January 2022 when we included them due to the extraordinary increases forecast for the following 12 months period and the potential impact on our customers and their repayments - high inflation and forecast inflation were still present at 31 January 2023 and to a lesser extent at 31 January 2024 but inflation and forecast inflation are more normalised at 31 January 2025. The Group considers four probability-weighted scenarios in relation to inflation rate: base, upside, downside and severe scenarios as follows:

| | Base | Upside (30% decrease) | Downside (30 % increase) | Severe (50% increase) | Weighted |
|---|---|---|---|---|---|
| Weighting | 50% | 20% | 25% | 5% | |
| Q1 2025 | 2.80% | 1.96% | 3.64% | 4.20% | 2.91% |
| Q1 2026 | 3.00% | 2.10% | 3.90% | 4.50% | 3.12% |
| Q1 2027 | 2.30% | 1.61% | 2.99% | 3.45% | 2.39% |
| Q1 2028 | 1.90% | 1.37% | 2.47% | 2.85% | 1.98% |

An increase by 0.5% in the weighted average unemployment rate would result in an increase in loan loss provisions by £902,739. A decrease by 0.5% would result in a decrease in loan loss provisions by £902,739. Due to the lower more normalised inflation rates now forecast, an increase or decrease of 0.5% in the weighted average inflation rate would have no material effect.

**Used vehicle price sensitivity for our motor finance business**

At the year ended 31 January 2025 and at the year ended 31 January 2024, we have assumed that used vehicle prices will remain stable after a period when used vehicle prices increased during years ended 31 January 2022 and 31 January 2023 and then decreased during year ended 31 January 2024. This assumption as at 31 January 2025 has been made after considering market trends and expectations but is uncertain. If used car prices were assumed to fall by 5% instead, then this would result in an increase in loan loss provisions of £2,767,863. If used vehicle prices were assumed to increase by 5% instead, then this would result in a decrease in loan loss provisions of £2,767,863.

**Expected loss sensitivity for our property bridging business**

The PD/LGD expected loss impairment provision model calculations developed for our Aspen bridging business have been based on extrapolating an inherently low volume sample of historic defaults and losses to reflect the current receivables and current market conditions. If the probability of default were assessed to be 10% higher than these calculations, then this would result in an increase in loan loss provisions of £341,574. If the probability of default were assessed to be 10% lower than these calculations, then this would result in a decrease in loan loss provisions of £341,574.

**3. SEGMENTAL ANALYSIS**

**Analyses by class of business of revenue and profit before taxation from continuing operations are stated below:**

| | Revenue | | Profit before taxation | |
|---|---|---|---|---|
| **Class of business** | **Year ended 31.1.25 £'000** | **Year ended 31.1.24 £'000** | **Year ended 31.1.25 £'000** | **Year ended 31.1.24 £'000** |
| Motor finance | 91,823 | 98,177 | 16,542 | 28,810 |
| Property Bridging finance | 23,788 | 17,260 | 7,207 | 4,803 |
| Central costs net of central finance income | - | - | 227 | (29) |
| | 115,611 | 115,437 | 23,976 | 33,584 |

**Analyses by class of business of assets and liabilities are stated below:**

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Class of business** | **Year ended 31.1.25 £'000** | **Year ended 31.1.24 £'000** | **Year ended 31.1.25 £'000** | **Year ended 31.1.24 £'000** |
| Motor finance | 286,813 | 335,502 | (135,862) | (181,944) |
| Property Bridging finance | 155,085 | 130,808 | (142,215) | (121,431) |
| Central | 3,158 | 536 | 71,100 | 70,691 |
| | 445,056 | 466,846 | (206,977) | (232,684) |

Depreciation of assets for motor finance was £375,000 (2024: £399,000), for property bridging finance was £16,000 (2024: £14,000) and for central was £91,000 (2023: £97,000). Fixed asset additions for motor finance were £705,000 (2024: £218,000), for property bridging finance were £19,000 (2024: £13,000) and for central were £2,000 (2024: £27,000).

The net finance credit for central costs was £2,992,000 (2024: £2,904,000), for motor finance was a cost of £11,901,000 (2024: £11,018,000) and for property bridging finance was a cost of £9,209,000 (2024: £6,948,000). The tax charge for central costs was £99,000 (2024: £25,000 charge), for motor finance was a tax charge of £4,150,000 (2024: £6,967,000) and for property bridging finance was a tax charge of £1,814,000 (2024: £1,155,000).

The significant products in motor finance are car and other vehicle loans secured under hire purchase agreements.The significant products in property bridging finance are bridging loans secured on property. The assets and liabilities of the Parent Company are classified as Central. No geographical analysis is presented because all operations are situated in the United Kingdom.

**4. COST OF SALES**

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| Cost of sales - motor finance | 14,063 | 20,726 |
| Cost of sales - property bridging finance | 2,321 | 2,095 |
| Total cost of sales | 16,384 | 22,821 |

**5. IMPAIRMENT CHARGE**

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| **Loan loss provisioning charge** | | |
| Loan loss provisioning charge - motor finance | 33,191 | 23,280 |
| Loan loss provisioning charge - property bridging finance | 2,380 | 923 |
| Total impairment charge | 35,571 | 24,203 |

**6. ADMINISTRATIVE EXPENSES**

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| Administrative expenses - motor finance | 13,391 | 14,343 |
| Administrative expenses - property bridging | 2,670 | 2,491 |
| Administrative expenses - central | 2,765 | 2,933 |
| Total administrative expenses | 18,826 | 19,767 |

**7. FINANCE COSTS**

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| 31.5% cumulative preference dividend | 141 | 141 |
| Lease liabilities interest | 20 | 16 |
| Bank loan and overdraft interest payable | 17,957 | 14,905 |
| Total finance costs | 18,118 | 15,062 |

**8. EXCEPTIONAL ITEM**

Motor Finance Forbearance Outcomes Review

Our motor finance subsidiary Advantage was included in the FCA's multi-firm Cost of Living Forbearance Outcomes review in 2023 and as a result the FCA concluded that enhancements were required to Advantage's approach to arrears management and the application of forbearance. We have engaged external support and Advantage and the FCA have discussed and agreed the necessary steps and Advantage have assessed whether any customers were adversely affected by its practices. We have recently completed this work and have provided for anticipated total associated exceptional potential customer remediation costs and external support costs totalling £2.736m as an exceptional item during the year ended 31 January 2025.

**9. AMOUNTS RECEIVABLE FROM CUSTOMERS**

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| Motor finance hire purchase | 401,792 | 437,181 |
| Less: Loan loss provision motor finance | (118,166) | (104,685) |
| Amounts receivable from customers motor finance | 283,626 | 332,496 |
| Property bridging finance loans | 155,083 | 132,746 |
| Less: Loan loss provision property bridging finance | (2,863) | (2,304) |
| Amounts receivable from customers property bridging finance | 152,220 | 130,442 |
| Amounts receivable from customers | 435,846 | 462,938 |

**Analysis of future due date due**

| | | |
|---|---|---|
| - Due within one year | 232,330 | 220,953 |
| - Due in more than one year | 203,516 | 241,985 |
| Amounts receivable from customers | 435,846 | 462,938 |

**Analysis of Security**

| | | |
|---|---|---|
| Loans secured on vehicles under hire purchase agreements | 277,831 | 327,485 |
| Loans secured on property | 152,220 | 130,442 |
| Other loans not secured - motor finance where security no longer present | 5,795 | 5,011 |
| Amounts receivable from customers | 435,846 | 462,938 |

**9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)**
**Analysis of loan loss provision and amounts receivable from customers (capital)**

| **As at 31 January 2025** | **Not credit Impaired**<br>**Stage 1: Subject to 12 months ECL**<br>**£'000** | **Not credit Impaired**<br>**Stage 2: Subject to lifetime ECL**<br>**£'000** | **Credit Impaired**<br>**Stage 3: Subject to lifetime ECL**<br>**£'000** | **Total**<br>**£'000** |
|---|---|---|---|---|
| Amounts receivable (capital) | | | | |
| Motor finance | 221,442 | 9,811 | 170,539 | 401,792 |
| Property bridging finance | 141,476 | - | 13,607 | 155,083 |
| Total | 362,918 | 9,811 | 184,146 | 556,875 |
| Loan loss provisions | | | | |
| Motor finance | (13,258) | (2,904) | (102,004) | (118,166) |
| Property bridging finance | (1,001) | - | (1,862) | (2,863) |
| Total | (14,259) | (2,904) | (103,866) | (121,029) |
| Amounts receivable (net) | | | | |
| Motor finance | 208,184 | 6,907 | 68,535 | 283,626 |

| | | | | |
|---|---|---|---|---|
| Property bridging finance | 140,475 | - | 11,745 | 152,220 |
| Total | 348,659 | 6,907 | 80,280 | 435,846 |

| As at 31 January 2024 | **Stage 1: Subject to 12 months ECL £'000** | **Stage 2: Subject to lifetime ECL £'000** | **Stage 3: Subject to lifetime ECL £'000** | **Total £'000** |
|---|---|---|---|---|
| Amounts receivable (capital) | | | | |
| Motor finance | 291,566 | 5,125 | 140,490 | 437,181 |
| Property bridging finance | 121,908 | - | 10,838 | 132,746 |
| Total | 413,474 | 5,125 | 151,328 | 569,927 |
| | | | | |
| Loan loss provisions | | | | |
| Motor finance | (21,315) | (1,323) | (82,047) | (104,685) |
| Property bridging finance | (914) | - | (1,390) | (2,304) |
| Total | (22,229) | (1,323) | (83,437) | (106,989) |
| | | | | |
| Amounts receivable (net) | | | | |
| Motor finance | 270,251 | 3,802 | 58,443 | 332,496 |
| Property bridging finance | 120,994 | - | 9,448 | 130,442 |
| Total | 391,245 | 3,802 | 67,891 | 462,938 |

**9. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)**

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

| **Analysis of 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 2023 | 27,756 | 662 | 69,605 | 98,023 |
| Net transfers and changes in credit risk | (14,755) | 565 | 12,331 | (1,859) |
| New loans originated | 11,863 | 354 | 13,845 | 26,062 |
| Total impairment charge to income statement | **(2,892)** | **919** | **26,176** | **24,203** |
| Amount netted off revenue for stage 3 assets | - | - | 9,162 | 9,162 |
| Utilised provision on write-offs | (2,635) | (258) | (21,506) | (24,399) |
| At 31 January 2024 | 22,229 | 1,323 | 83,437 | 106,989 |
| Net transfers and changes in credit risk | (11,286) | 1,434 | 26,699 | 16,847 |
| New loans originated | 5,204 | 642 | 12,878 | 18,724 |
| Total impairment charge to income statement | **(6,082)** | **2,076** | **39,577** | **35,571** |
| Amount netted off revenue for stage 3 assets | - | - | 15,614 | 15,614 |
| Utilised provision on write-offs | (1,888) | (495) | (34,762) | (37,145) |
| At 31 January 2025 | 14,259 | 2,904 | 103,866 | 121,029 |

**10. EARNINGS PER ORDINARY SHARE**

The calculation of earnings per ordinary share ("EPS") from continuing operations is based on profit after tax of £17,913,000 (2024: £25,437,000).

The number of shares used in the Basic EPS calculation is the weighted average number of shares in issue during the year of 12,150,760 (2024: 12,150,760). There are a total of nil dilutive share options in issue (2024: nil) and taking into account the appropriate proportion of these dilutive options the number of shares used in the Diluted EPS calculation is 12,150,760 (2024: 12,150,760).

## 11. CONTINGENT LIABILITIES

On 25 October 2024 the Court of Appeal passed a ruling in the cases of Hopcraft, Wrench and Johnson which affected the payment of motor finance commissions by two motor finance lenders in circumstances where informed and explicit consent had not been obtained. The Court of Appeal ruled in favour of the claimants although the two lenders have appealed this ruling to the UK Supreme Court, who heard their appeal in April 2025 and plan to announce their own ruling by July 2025.

Our own subsidiary company Advantage Finance offers motor finance mainly through independent credit broker intermediaries rather than more directly with dealers. From the period January 2013 to October 2024 only about 10% of transactions were written via dealers acting as credit brokers, upon which £6m of commission was paid.

Due to different fact patterns between Advantage's process and the 3 cases which were considered by the Court of Appeal and which are now being considered by the UK Supreme Court and also due to the acknowledged inherent lack of consumer harm in fixed fee commission models of the sort operated by Advantage, management consider that a liability arising is possible but this is not probable. The Group has assessed the requirement for a provision and as at 31 January 2025 no amounts have been recognised. At this point it is also not practicable to reliably estimate the financial effect of any redress payout given the uncertainties over the amount, timing and success of any claims.

In summary, this UK Supreme Court ruling arising from the appeal hearing in April 2025 is unknown and uncertain.

Please note that Advantage Finance have never used discretionary commission arrangements and so there is no contingent liability or provision recorded for the FCA review into historic discretionary commissions as paid by some lenders in the motor finance sector.

The Company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 2025 was £13,721 (2024: £2,253,817).

## 12. RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

| | **2025** | 2024 |
|---|---|---|
| | **£'000** | £'000 |
| **Operating Profit** | 44,830 | 48,646 |
| Tax paid | (4,817) | (8,515) |
| Exceptional Item | (2,736) | - |
| Depreciation on plant, property and equipment | 482 | 510 |
| Profit on disposal of plant, property and equipment | (14) | (16) |
| Decrease/(increase) in amounts receivable from customers | 27,092 | (42,228) |
| Decrease/(increase) in trade and other receivables | 15 | 159 |
| (Decrease)/increase in trade and other payables | (1,602) | 295 |
| (Decrease)/increase in accruals | (498) | 709 |
| Increase in provisions for other liabilities and charges | 2,272 | - |
| Movement in retirement benefit asset/obligations | (33) | (6) |
| **Net cash used in operating activities** | 64,991 | (446) |

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