

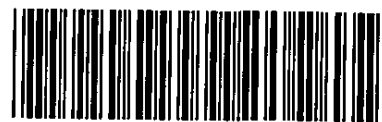
**Company Registration No: 3773673**

**Advantage Finance Limited**

**Report and Financial Statements**

**31 January 2011**

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## **Advantage Finance Limited**

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## **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  
J G Thompson  
A Tuplin  
H A Wilkinson

#### **SECRETARY**

C H Redford

#### **REGISTERED OFFICE**

Royal House, Princes Gate  
Homer Road  
Solihull  
B91 3QQ

#### **BANKERS**

HSBC Bank plc  
130 New Street  
Birmingham  
B2 4JU

#### **SOLICITORS**

DLA  
Victoria Square House,  
Victoria Square,  
Birmingham  
B2 4DC

#### **AUDITORS**

Deloitte LLP  
Chartered Accountants  
Birmingham

## **Advantage Finance Limited**

### **DIRECTORS' REPORT**

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2011

#### **PRINCIPAL ACTIVITIES**

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

#### **BUSINESS REVIEW, RESULTS AND DIVIDENDS**

The financial year 2010/2011 was a very successful year for Advantage Finance as volumes grew and repayment performance was good reflecting strong underwriting and increased yield where paying customers are keeping their cars for longer. Pre tax profit grew by 35% on revenue up 13% and number of hire agreements up 14% at 11,503. Liabilities reduced by 5% and net assets were up 25%. The directors see these results as providing a firm platform for the future development and growth of the Company.

The Company's profit on ordinary activities after tax was £3.1m (2010 £2.2m). Interim ordinary dividends of £1.3m (2010 £0.8m) were paid during the year, leaving retained profits of £1.8m (2010 £1.4m) to be transferred to reserves. The Company's principal balance sheet asset remains its book debt and the directors consider the year-end balance sheet position to be satisfactory.

#### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were

BA Burton, AMV Coombs, GDC Coombs, K Charlton, J Murdoch, CH Redford, JG Thompson, A Tuplin and HA Wilkinson

The directors retiring by rotation are AMV Coombs, K Charlton and J Murdoch, who, being eligible, offer themselves for re-election.

#### **REVIEW OF PRINCIPAL RISKS AND UNCERTAINTIES**

The Company is involved in the provision of consumer credit and a key risk for the Company is the credit risk inherent in amounts receivable from customers which is principally controlled through our credit control policies supported by ongoing reviews for impairment. The maximum exposure to credit risk relates to the risk in cash, amounts receivable from customers and trade and other receivables. The Company is also subject to legislative and regulatory change within the consumer credit sector and this is managed through internal compliance procedures and close involvement with trade organisations such as the Finance and Leasing Association. The Company is part of the S&U Group whose business 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. More detail of the Group's financial risk management policies is included in the S&U Group accounts.

#### **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 Company is part of the S&U Group and the Group has committed to financially support the Company, the Group's objectives, policies and processes for managing its capital are described in the notes to the S&U Plc Group accounts. Details of the Group's financial risk management objectives, its financial instruments and hedging activities, and its exposures to credit risk, market risk and liquidity risk are also set out in the notes to the S&U Plc Group accounts. In considering all of the above the directors believe that the Company is well placed and has sufficient financial resources to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

## **Advantage Finance Limited**

### **DIRECTORS' REPORT (CONTINUED)**

#### **AUDIT STATEMENT**

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 auditors are unaware, and

2 the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are 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

#### **CREDITOR PAYMENT POLICY**

The Company is part of the S&U plc Group and the Group and the Company do not follow any published code of practice but agree terms and conditions with their suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier. Trade creditor days for the Company for the year ended 31 January 2011 were 51 days (2010 – 51 days), calculated in accordance with the requirements set down in the Companies Act. This represents the ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amount due, at the year end, to trade creditors within one year.

#### **AUDITORS**

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



CH Redford

Company Secretary

26 April 2011

## **Advantage Finance Limited**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern


The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Responsibility statement**

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the management report, which is incorporated into the Directors' 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 they face

By order of the Board



CH Redford

Company Secretary

26 April 2011

## **Advantage Finance Limited**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANTAGE FINANCE LIMITED**

We have audited the financial statements of Advantage Finance Limited for the year ended 31 January 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 January 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANTAGE FINANCE LIMITED  
(CONTINUED)**

**Separate opinion in relation to IFRSs as issued by the IASB**

As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the financial statements comply with IFRSs as issued by the IASB

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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



Matthew Perkins (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham, United Kingdom  
26 April 2011



**ADVANTAGE FINANCE LIMITED**  
**INCOME STATEMENT**  
**31 January 2011**

	<b>Note</b>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Revenue</b>	2	16,049	14,195
Cost of sales	3	(8,227)	(7,600)
<b>Gross profit</b>		<u>7,822</u>	<u>6,595</u>
Administrative expenses		(2,452)	(2,103)
<b>Operating profit</b>	5	<u>5,370</u>	<u>4,492</u>
Finance costs	6	(1,143)	(1,365)
<b>Profit before tax</b>	2	<u>4,227</u>	<u>3,127</u>
Tax Charge	7	(1,184)	(890)
<b>Profit for the year</b>		<u><u>3,043</u></u>	<u><u>2,237</u></u>

All activities derive from continuing operations

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2011 £000</b>	<b>2010 £000</b>
Profit for the year	3,043	2,237
Credit for cost of future share based payments	29	-
<b>Total Comprehensive Income for the year</b>	<u><u>3,072</u></u>	<u><u>2,237</u></u>

**BALANCE SHEET****31 January 2011**

	Note	2011 £000	2010 £000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, plant and equipment	9	156	161
Investments	10	-	-
Amounts receivable from customers	11	24,863	24,346
Deferred tax assets	15	15	15
		<u>25,034</u>	<u>24,522</u>
<b>Current Assets</b>			
Amounts receivable from customers	11	14,425	14,666
Trade and other receivables	12	135	187
		<u>14,560</u>	<u>14,853</u>
<b>Total Assets</b>		<u>39,594</u>	<u>39,375</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Bank overdrafts	13	(596)	(2,415)
Trade and other payables	14	(28,683)	(28,538)
Tax liabilities		(686)	(479)
Accruals and deferred income	14	(685)	(771)
<b>Total liabilities</b>		<u>(30,650)</u>	<u>(32,203)</u>
<b>NET ASSETS</b>			
		<u>8,944</u>	<u>7,172</u>
<b>Equity</b>			
Called up share capital	16	1	1
Profit and loss account		8,943	7,171
<b>Total equity</b>		<u>8,944</u>	<u>7,172</u>

The financial statements for Advantage Finance Limited (company registered no 3773673) were approved by the Board of Directors on 26 April 2011

Signed on behalf of the Board of Directors



CH Redford

# **Advantage Finance Limited**

## **STATEMENT OF CHANGES IN EQUITY** **Year ended 31 January 2011**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
At 1 February 2009	1	5,772	5,773
Total comprehensive income for year	-	2,237	2,237
Dividends	-	(838)	(838)
At 31 January 2010	1	7,171	7,172
Total comprehensive income for year	-	3,072	3,072
Dividends	-	(1,300)	(1,300)
At 31 January 2011	1	8,943	8,944

## **CASH FLOW STATEMENT** **Year ended 31 January 2011**

	<b>Note</b>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Net cash inflow from operating activities</b>	17	3,187	4,709
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		20	24
Purchases of property, plant and equipment		(88)	(56)
Net cash used in investing activities		(68)	(32)
<b>Cash flows from financing activities</b>			
Dividends paid		(1,300)	(838)
Net decrease in overdraft		(1,819)	(3,839)
Net cash used in financing activities		(3,119)	(4,677)
<b>Net increase in cash and cash equivalents</b>		-	-
<b>Cash and cash equivalents at the beginning of period</b>		-	-
<b>Cash and cash equivalents at the end of period</b>		-	-

## **Advantage Finance Limited**

### **NOTES TO THE ACCOUNTS**

**Year ended 31 January 2011**

#### **1. ACCOUNTING POLICIES**

##### **1.1 General Information**

Advantage Finance Limited is a company 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**

As part of a listed group we elected to prepare our financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared under the historical cost convention. As discussed in the Directors' Report, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In the current year and in accordance with IFRS requirements, certain new and revised Standards and Interpretations have been adopted but these have had no significant effect on the amounts reported in these financial statements. At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective and/or had yet to be endorsed by the EU:

IAS 12 (amended Dec 2010)	Deferred Tax – Recovery of Underlying Assets
IFRS 7 (amended Oct 2010)	Disclosures – Transfers of Financial Assets
IFRS 9 (part issued)	Financial Instruments
IAS 24 (revised Nov 2009)	Related Party Disclosures
Improvements to IFRSs (May 2010)	

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

##### **1.3 Revenue recognition**

Credit charges are recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Acceptance fees charged to customers and any direct transaction costs are included in the calculation of the EIR. Under IAS 39 credit charges on loan products continue to accrue at the EIR on all impaired capital balances throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable.

Commission received from third party insurers for brokering the sale of insurance products, for which the Company does not bear any underlying insurance risk is recognised and credited to the income statement when the brokerage service has been provided.

## **Advantage Finance Limited**

### **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### **1.4 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 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.

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 and information regarding the likely eventual loss including recoveries. These assumptions and assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

##### **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 group 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,

Freehold 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 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**

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis.

## Advantage Finance Limited

### NOTES TO THE ACCOUNTS Year ended 31 January 2011

#### 1. ACCOUNTING POLICIES (CONTINUED)

##### 1.10 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The key accounting judgements which the directors have made in the process of applying the Company's accounting policies and which have the most significant effect on the amounts recognised in the financial statements are the judgements relating to revenue recognition and impairment applied as in 1.3 and 1.4 above. The directors consider that there are no key sources of estimation uncertainty other than those inherent in the consumer credit market in which we operate.

##### 1.11 Share based payments

The Company issues share-based payments under the S&U plc Group 2008 Discretionary Share Option Plan and the S&U plc Group 2010 Long Term Incentive Plan. The cost of these share based payments is based on the fair value of options granted as required by IFRS2. This cost is then charged to the income statement over the three year vesting period of the related share options with a corresponding credit to reserves. When any share options are exercised, the proceeds received are credited to share capital and share premium.

#### 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

	2011 £000	2010 £000
Loan loss provisioning charge	5,883	5,537
Other cost of sales	2,344	2,063
	<u>8,227</u>	<u>7,600</u>

#### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	2011 £000	2010 £000
Salary	641	589
Pension	33	30
	<u>674</u>	<u>619</u>

The emoluments of the highest paid director are £262,289 for the year (2010 £247,593) including benefits received and receivable under long term incentive schemes of £29,111 (2010 £nil), and the Company paid pension contributions on his behalf of £20,220 (2010 £19,080). Three of the directors are paid by other S&U plc Group companies and received no remuneration for their services to this company.

# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)**

	<b>2011</b>	<b>2010</b>
Number of directors who are members of a defined contribution pension scheme	<u>9</u>	<u>9</u>
Average number of persons employed		
Management and administration	<u>68</u>	<u>69</u>
Staff costs during the year (including directors):	<b>£000</b>	<b>£000</b>
Wages and salaries	2,044	1,752
Social security costs	212	186
Other pension costs	104	93
	<u>2,360</u>	<u>2,031</u>

### **5. OPERATING PROFIT**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Operating profit is stated after charging:		
Depreciation and amortisation		
Owned assets	60	51
Staff Costs	2,360	2,031
Rentals under operating leases		
Other operating leases	87	84
Loss on sale of fixed assets	13	5
	<u></u>	<u></u>
The analysis of auditors' remuneration is as follows,		
<b>Auditors' remuneration for audit fees</b>		
Fees payable to the Group's auditors for the audit of the Company annual accounts	14	14
<b>Auditors' remuneration for non-audit fees:</b>		
Other services pursuant to legislation	7	6
Tax services	3	3
	<u></u>	<u></u>
Total	<u>24</u>	<u>23</u>

### **6 FINANCE COSTS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Bank interest payable	<u>1,143</u>	<u>1,365</u>

# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **7. TAX**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Corporation tax at 28% (2010 28%) based on the profit for the year	1,194	882
Current tax adjustment in respect of prior years	(10)	8
	<u>1,184</u>	<u>890</u>

The actual tax charge for the current and the previous year differs to the standard rate for the reasons set out in the following reconciliation

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	4,227	3,127
Tax on profit on ordinary activities at standard rate of 28% (2010 28%)	1,184	876
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	10	6
Adjustment in respect of prior years	(10)	8
Total tax charge for the year	<u>1,184</u>	<u>890</u>

On 23<sup>rd</sup> March 2011 the Government announced that the main rate of Corporation Tax rate would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rate reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the financial statements. The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

### **8 DIVIDENDS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Ordinary dividend paid in the year £1,300 per share (2010 £838 per share)	<u>1,300</u>	<u>838</u>



# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **9. PROPERTY, PLANT AND EQUIPMENT**

	Short Leasehold Buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 February 2009	43	185	397	625
Additions	2	17	37	56
Disposals	(1)	(65)	(7)	(73)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2010	44	137	427	608
Additions	2	54	32	88
Disposals	-	(76)	(6)	(82)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 January 2011	46	115	453	614
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>				
At 1 February 2009	37	84	319	440
Charge for the year	3	22	26	51
Eliminated on disposals	(1)	(36)	(7)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2010	39	70	338	447
Charge for the year	2	22	36	60
Eliminated on disposals	-	(43)	(6)	(49)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 January 2011	41	49	368	458
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 January 2011	5	66	85	156
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2010	5	67	89	161
	<hr/>	<hr/>	<hr/>	<hr/>

### **10. INVESTMENTS**

	2011 £	2010 £
Shares in subsidiary companies - cost and carrying value		
At 1 February 2009, 1 February 2010 and 31 January 2011	2	2
	<hr/>	<hr/>

#### **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	Dormant
Communitas Finance Limited	Secured consumer finance

The Company has not prepared consolidated accounts 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

# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **11. AMOUNTS RECEIVABLE FROM CUSTOMERS**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Credit receivables	55,564	51,793
Less Loan loss provision	(16,276)	(12,781)
Amounts receivable from customers	<u>39,288</u>	<u>39,012</u>
Analysed by future date due		
- due within one year	14,425	14,666
- due in more than one year	24,863	24,346
Amounts receivable from customers	<u>39,288</u>	<u>39,012</u>
<b>Analysis of security</b>		
Loans secured on vehicles under hire purchase agreements	38,221	37,287
Other loans	1,067	1,725
Amounts receivable from customers	<u>39,288</u>	<u>39,012</u>
<b>Analysis of overdue</b>		
<u>Not impaired</u>		
Neither past due nor impaired	32,765	30,017
Past due up to 3 months but not impaired	-	3,188
<u>Impaired</u>		
Past due up to 3 months	2,970	2,241
Past due up to 6 months	1,264	1,148
Past due over 6 months or default	2,289	2,418
Amounts receivable from customers	<u>39,288</u>	<u>39,012</u>

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 14 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contract terms which are not rescheduled – the carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2010: £nil).

<b>Analysis of movements on loan loss provisions</b>	<b>£000</b>
At 1 February 2009	11,474
Charge for year	5,537
Amounts written off during year	(2,860)
Unwind of discount	(1,370)
At 31 January 2010	12,781
Charge for year	5,883
Amounts written off during year	(977)
Unwind of discount	(1,411)
As at January 2011	<u>16,276</u>

There has been no material change in the average discount rate used during the years to 31 January 2011 and 31 January 2010.

## Advantage Finance Limited

### NOTES TO THE ACCOUNTS Year ended 31 January 2011

#### 12 TRADE AND OTHER RECEIVABLES

	2011 £000	2010 £000
Other debtors	9	6
Prepayments and accrued income	126	181
	<u>135</u>	<u>187</u>

All the above amounts fall due within one year. The carrying value of trade and other receivables is not materially different to their fair value.

#### 13. BANK OVERDRAFTS

	2011 £000	2010 £000
Bank overdrafts – due within one year	596	2,415

The bank overdraft is secured over the assets of the Group under a multilateral guarantee (see note 18).

#### 14. TRADE AND OTHER PAYABLES

	2011 £000	2010 £000
Trade creditors	305	296
Amounts owed to other group undertakings	28,028	28,020
Other creditors	350	222
	<u>28,683</u>	<u>28,538</u>

Within 2011 and 2010 accruals and deferred income is an estimation of potential future costs arising as a result of certain product sales. As permitted by IAS 37 paragraph 92, certain disclosures required by that standard have not been provided.

#### 15 DEFERRED TAX

	Accelerated tax depreciation  £000
At 1 February 2009	15
Credit to income	-
	<u>15</u>
At 31 January 2010	15
Credit to income	-
	<u>15</u>
At 31 January 2011	<u>15</u>

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.

## Advantage Finance Limited

### NOTES TO THE ACCOUNTS Year ended 31 January 2011

#### 16 CALLED UP SHARE CAPITAL

	2011 £000	2010 £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

	2011 £000	2010 £000
Profit before tax	4,227	3,127
Tax paid	(977)	(936)
Depreciation on plant, property and equipment	60	51
Loss on disposal of plant, property and equipment	13	5
(Increase)/decrease in amounts receivable from customers	(276)	364
Decrease/(increase) in trade and other receivables	52	(34)
Increase in trade and other payables	145	1,849
(Decrease)/increase in accruals and deferred income	(86)	283
Increase in cost of future share based payments	29	-
Net cash inflow from operating activities	3,187	4,709

#### 18 CONTINGENT LIABILITIES

The Company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of other group companies. The maximum exposure under this arrangement at 31 January 2011 was £22,000,000 (2010 £24,215,321)

#### 19 RELATED PARTY TRANSACTIONS

The Company paid dividends to its parent company S&U plc of £1,300,000 (2010 £838,000). During the current and preceding year the Company was recharged by other group undertakings for various administrative expenses incurred on behalf of Advantage Finance Limited. At 31 January 2011 the Company owed £28,028,000 (2010 £28,020,000) to other group undertakings and was owed £nil by other group undertakings (2010 £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 accounts of S&U plc may be obtained from its registered office at Royal House, Prince's Gate, Solihull, West Midlands, B913QQ.

## Advantage Finance Limited

### NOTES TO THE ACCOUNTS

Year ended 31 January 2011

#### 21. FINANCIAL COMMITMENTS

##### Capital commitments

At 31 January 2011 and 31 January 2010 the Company had no capital commitments contracted but not provided for

##### Operating lease commitments

At 31 January 2011 and 31 January 2010 the Company had annual commitments under non-cancellable other operating leases as set out below

	2011 £000	2010 £000
Land and buildings	52	52
Leases which expire Within two to five years		

#### 22. PENSION SCHEMES

The Company made contributions of £104,000 (2010 £93,000) to a defined contribution pension scheme and there are no outstanding contributions at 31 January 2011 or 31 January 2010

#### 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 goods.

The table below 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 was estimated to be 29% (2010 29%). The average effective interest rate on financial liabilities of the Company at 31 January 2011 was estimated to be 5% (2010 5%).

##### Derivative financial instruments

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 accordance with disclosures made in the S&U plc accounts.

##### Currency and credit risk

The Company has no material exposure to foreign currency risk. Company trade and other receivables and cash are considered to have no material credit risk. The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 14.

##### 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 accounts. There is considered to be no material interest rate risk in cash, trade and other receivables and trade and other payables.

##### Capital risk management

The Company is part of the S&U plc 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 2011 the group gearing level was 43% (2010 57%) which the directors consider to have met their objective. External capital requirements are imposed by the FSA on Advantage Finance itself. Throughout the year the Company has maintained a capital base greater than this requirement.

# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **23. FINANCIAL INSTRUMENTS (CONTINUED)**

#### **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

#### **Liquidity risk**

The Company's liquidity risk is shown in the following tables which measure the cumulative liquidity gap

	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Non interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 January 2011</b>						
Financial assets	14,425	11,114	13,749	-	-	39,288
Other assets	-	-	-	-	306	306
<b>Total assets</b>	<b>14,425</b>	<b>11,114</b>	<b>13,749</b>	<b>-</b>	<b>306</b>	<b>39,594</b>
Shareholders' funds					(8,944)	(8,944)
Bank overdrafts and loans	(596)	-	-	-	-	(596)
Other liabilities	(2,054)	-	(28,000)	-	-	(30,054)
<b>Total liabilities and shareholders' funds</b>	<b>(2,650)</b>	<b>-</b>	<b>(28,000)</b>	<b>-</b>	<b>(8,944)</b>	<b>(39,594)</b>
<b>Cumulative gap</b>	<b>11,775</b>	<b>22,889</b>	<b>8,638</b>	<b>8,638</b>	<b>-</b>	<b>-</b>
	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Non interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 January 2010</b>						
Financial assets	14,666	11,016	13,330	-	-	39,012
Other assets	-	-	-	-	363	363
<b>Total assets</b>	<b>14,666</b>	<b>11,016</b>	<b>13,330</b>	<b>-</b>	<b>363</b>	<b>39,375</b>
Shareholders' funds					(7,172)	(7,172)
Bank overdrafts and loans	(2,415)	-	-	-	-	(2,415)
Other liabilities	(1,788)	-	(28,000)	-	-	(29,788)
<b>Total liabilities and shareholders' funds</b>	<b>(4,203)</b>	<b>-</b>	<b>(28,000)</b>	<b>-</b>	<b>(7,172)</b>	<b>(39,375)</b>
<b>Cumulative gap</b>	<b>10,463</b>	<b>21,479</b>	<b>6,809</b>	<b>6,809</b>	<b>-</b>	<b>-</b>

# **Advantage Finance Limited**

## **NOTES TO THE ACCOUNTS** **Year ended 31 January 2011**

### **23 FINANCIAL INSTRUMENTS (CONTINUED)**

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

	Repayable on Demand	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 January 2011</b>						
Bank overdrafts and loans	596	-	-	-	-	596
Trade and other payables	-	683	-	-	-	683
Tax liabilities	-	686	-	-	-	686
Accruals and deferred income	-	685	-	-	-	685
Intercompany loans	-	-	-	28,000	-	28,000
<b>At 31 January 2011</b>	<b>596</b>	<b>2,054</b>	<b>-</b>	<b>28,000</b>	<b>-</b>	<b>30,650</b>

	Repayable on Demand	Less than 1 year	More than 1 year but not more than 2 years	More than 2 years but not more than 5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 January 2010</b>						
Bank overdrafts and loans	2,415	-	-	-	-	2,415
Trade and other payables	-	538	-	-	-	538
Tax liabilities	-	479	-	-	-	479
Accruals and deferred income	-	771	-	-	-	771
Intercompany loans	-	-	-	28,000	-	28,000
<b>At 31 January 2010</b>	<b>2,415</b>	<b>1,788</b>	<b>-</b>	<b>28,000</b>	<b>-</b>	<b>32,203</b>