THE CREDIT YOU DESERVE

TRIED AND TESTED

Annual Report and Accounts
for the Year ended 31 January 2020

WELCOME TO THE S&U 2020 ANNUAL REPORT

S&U plc was founded in 1938. Our aim is to provide Britain's foremost hire purchase motor finance and specialist lending service. Since 1999 our Advantage Finance subsidiary has provided hire purchase motor finance for over **160,000** customers.

Read about **Advantage Finance** on page 04

OUR VALUES

Making the customer the heart of our business.

Respect for every customer and always treating customers fairly.

Conservative approach to underwriting and collections to enable sustainable growth.

OUR BUSINESSES

Motor Finance

Hire purchase motor finance for over 160,000 customers since 1999.

Property Bridging Finance

Launched in early 2017 and growing steadily after successful pilot phase.

REASONS TO INVEST

- A track record of growth and profitability.
- Exceptional customer service.
- A strong balance sheet.

Visit our website at **www.suplc.co.uk**

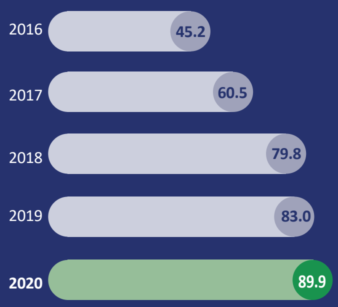
FINANCIAL HIGHLIGHTS

from continuing operations

Revenue (£m)

£89.9m

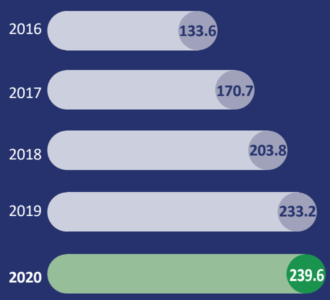
(2019: £83.0m)



Basic EPS (p)

239.6p

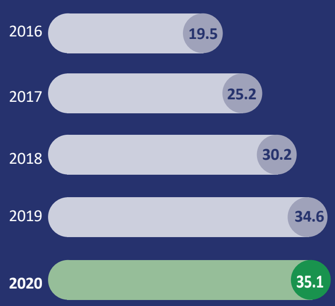
(2019: 233.2p)



Profit Before Tax (£m)

£35.1m

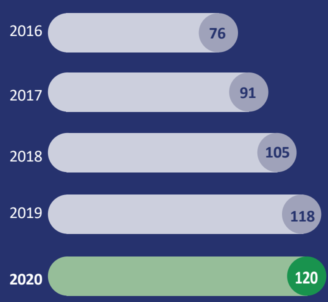
(2019: £34.6m)



Dividend Declared (p)

120p

(2019: 118p)



BASIC EARNINGS PER SHARE (p) +3%

PROFIT BEFORE TAX +2%

Read our **Financial Statements** on pages 56 to 83

www.suplc.co.uk

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STRATEGIC REPORT

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GROUP AT A GLANCE

Our aim is to provide Britain's foremost motor finance and specialist lending service. We currently have over 64,000 customers and a strong focus on staff recognition, reward and retention is fundamental to our success.

Motor Finance

Advantage Finance enjoyed its 20th anniversary during 2019, and has grown into one of the most progressive and innovative motor finance companies in the country. We are key members of the Finance and Leasing Association (FLA) who help shape the industry, help shape the industry. Our CEO Graham Wheeler sits on the Motor Finance Committee and our CRO, Alan Tuplin chairs the Credit and Risk Committee.

Advantage employ over 160 people, and have provided hire purchase finance for over 160,000 customers across the UK. Operating within the non-prime market sector, Advantage has built its excellent reputation and track record on quality as opposed to quantity. Funding is invested wisely through a hugely experienced management team, the majority of whom have been with the Company since inception.

"Advantage Finance is rightly proud to have achieved record profits in every year since its inception. This is delivered by our talented and loyal colleagues, underpinned by a strong focus on reward, recognition and motivation for everybody, with significant opportunity for personal growth through internal promotion and self-development. This mix of Teamwork, commitment and engagement are the key ingredients of our success story."

Graham Wheeler
Chief Executive

Property Bridging Finance

Aspen Bridging launched in 2017 to cater for the short term refurbishment and residential markets and has continued develop from strength to strength ever since. With three industry awards won, Aspen Bridging has established a firm presence in the market and an enviable reputation for delivering on our published service commitments. Through strong broker relationships, Aspen Bridging lends up to £4m per deal with an average loan size of £575,000. Based in Solihull, Aspen's success since its founding has been the result of combining the best of traditional bridging with state of the art technology and a single-minded focus on service excellence. Aspen's 11 strong team continue to earn a growing reputation for speedy service and consistent delivery amongst its broker partners. Aspen has been consistently profitable since 2017 and is positioned to make a significant contribution to S&U profits over the next decade.

"At Aspen we bring a modern and fresh approach to this specialist lending market. By visiting every property that we lend against and meeting all borrowers face to face we have rejuvenated the more traditional side of bridging. This approach distinguishes Aspen from other more remote operating businesses and enables us to have a very close relationship with our borrowers."

Ed Ahrens
Managing Director

A1 CHAIRMAN'S STATEMENT

> "As Henry Luce, the founder of Time magazine once observed, "business is a continual calculation, an intuitive exercise in foresight." Whilst today foresight is in short supply, over eighty years of history gives S&U the strength, realism, ambition and expertise to allow us great confidence in the future."

Anthony Coombs
Chairman

7 April 2020

Introduction:

With the possible single exception of the beginning of the 2nd World War, a year after S&U was founded by my grandfather, there has never been a time when the economic and social landscape has altered so significantly.

The explosive but insidious impact of Covid-19 on our daily lives has seen every business, including S&U, embark upon a series of measures to safeguard our workforce, protect our assets, conserve and husband cash, whilst at the same time remaining open for business to our loyal customers and broker partners.

The Government's lockdown will have effects which are both unprecedented and, at present impossible to accurately predict. We followed the advice from the Financial Reporting Council issued last month, so far as is possible at present, to clearly evaluate the risks and economic consequences of an evolving economic landscape in which, hopefully temporarily, the tectonic plates are shifting.

Nevertheless, I describe and comment on the annual results which pre-dated Covid-19's outbreak in Britain and then devote sections to its possible effects later in my Review.

2019/20

For the 11th consecutive year, I am again pleased to announce record profits for S&U plc, delivering a slight increase over last year. Group profit before tax for 2019/20 was up 2% to £35.1m (2019: £34.6m) on revenues up by 8% at £89.9m (restated 2019: £83.0m). Yet despite the fundamentals underlying the British economy at our year-end – the lowest unemployment for 46 years, low inflation and a steady growth rate – remaining strong, we live in febrile and fearful times. Just as the political and economic uncertainties were beginning to dissipate following the General Election of last year and the confirmation of Brexit, the Coronavirus pandemic – unprecedented for several generations – has brought clouds of pessimism to what was a brightening sky.

In such a climate the robust foundations which underpin both S&U and its businesses come to the fore. This year these are reflected in amounts receivable from customers of over £300m- an increase of 9% on last year, and over 64,000 customers (2019: 59,000). Group gearing remains low at 65.7% (2019: 65.3%) and our treasury has a large liquidity buffer and gives significant scope for further expansion when market conditions allow.

Advantage, our motor finance business, continues to build its reputation as a leading non-prime motor finance lender in the UK. In addition, Aspen, our property bridging business has, in just its third full year of trading, declared profits of £1.2m, a 44% increase on last year.

Financial Highlights

- Profit before tax ("PBT"): £35.1m (2019: £34.6m)
- Revenue £89.9m (restated 2019: £83.0m**)
- Earnings per share ("EPS") = 239.6p (2019: 233.2p)
- Group net assets: £179.5m (2019: £165.4m)
- Group gearing* at 65.7% (2019: 65.3%)
- Treasury – £25m facility added in March 19 and Group facilities post year-end at £155m
- Record Group collections* of £228.8m (2019: £199.8m)
- Dividend of 120p per ordinary share (2019: 118p)

* Key alternative performance measurement definitions are given in note 1.13 below.

** 2019 revenue and cost of sales have been restated with no effect on profit – see note 1.3

As I anticipated last year, 2019 was marked by political pessimism and drift and by low levels of both consumer and business confidence. This resulted in UK economic growth falling to under an annualised rate of 1% compared to more than double that in 2016. For S&U and its mission to produce "steady, sustainable growth", this meant a year

A1 CHAIRMAN'S STATEMENT
continued

of relative pause in our development. We used this to refine our underwriting scorecards, review our product ranges and, at Advantage, to transition to the experienced and energetic leadership of Graham Wheeler, our new motor finance CEO.

Nevertheless, we continued to build our business. Thus, this year Advantage advanced 23,334 new deals, the second highest in its history and an increase of 11% on last year (2019: 21,053); this in a market for used car finance reported by the Finance and Leasing Association to be growing by 4% in the year to December 2019. Equally important, yield and quality continued their gradual improvement as risk adjusted yield* increased to 25.4% (2019: 24.6%).

Aspen adapted well to a sluggish and inactive residential property market. Whilst advances rose to £31.3m (2019: £23.1m), an increase in average loan size to £508,000 from £371,000 in 2018/19 reflected a deliberate upmarket repositioning at conservative average loan to values at the expense of transaction numbers. The sluggish market has also not helped some borrower exits, which have been slower than anticipated. However, overall out of 154 loan facilities underwritten in the 3 years to date including 57 in 2019/20, Aspen has had 112 repayments and 42 remain in the live book which is a creditable performance.

Any finance business must be measured by the strength of its collections and repayments. On total amounts receivable from customers of over £301.7m (2019: £277.0m) up 9% over the year, Group collections were £228.8m, an increase of 14% on a year ago. Stronger growth at Advantage was off-set by a cautious approach to growth at Aspen, which saw net Group borrowings at £117.8m at year end (2019: £108.0m). This continues the Group's traditionally low gearing at 65.7% (2019: 65.3%) and gives ample headroom for future growth.

Advantage Finance ("Advantage")

It is now twenty years since we founded Advantage, our Grimsby based motor finance business which offers Hire Purchase products for used car purchases in the non-prime market place. This year Advantage yet again produced record results with PBT reaching £34.0m (2019: £33.6m). Customer numbers reached 64,200 (2019: 59,000) and amounts receivable from customers were at £280.8m, an increase of 8.5% on last year. Yet again the business has achieved a Return on Capital Employed before cost of funds exceeding 15% (accounts note 1.13).

Still more impressive is that this was achieved against a background of unparalleled economic and political uncertainty and a lack of consumer confidence in the motor markets generally. Thus, for the second successive year, the new car market contracted by 2.4% to 2.3m million registrations. Happily, the much larger used car market in which Advantage exclusively operates, remained stable at 7.9m transactions. Moreover, according to Motor Finance Magazine and the Finance Leasing Association, both used car values (up 6% on the year) and car finance to pay for them (up 4%) showed increases on 2018.

Just under a third of used car purchases, at 2.5m vehicles are purchased on finance. Of this, Advantage provided facilities on 23,334 vehicles last year (an increase of 11% on 2019) which gave a measure of the significant potential for expansion of this market. Whilst buoyant and recession resistant markets will always attract competition, Advantage's record of responsible service to its customers and its long-term credibility with its broker partners and with the Financial Conduct Authority as our regulator, attracted a record 1.3 million finance applications last year (2019: 1.0m).

Tighter and cautious underwriting, which is continuously refined in our scorecard – together with healthy competition – of course whittled these applications down; it also under-pins Advantage's strong debt quality. Thus, this year saw average amounts receivable from customers during the year increase by 5% to £270.7m while total collections increased by 8% to £196.5m. Early evidence of improving quality was buttressed by an increase in Advantage's risk adjusted yield from 24.6% last year to 25.5% this year (accounts note 1.13).

Of course, Advantage's long-term and consistent profitability record has always rested upon the quality of its organisation, processes and above all its people – quite as much as upon the health of the market it serves. In terms of leadership, this year saw the passing of the baton from Guy Thompson, Advantage's founder MD, and inspiration for the past twenty years, to Graham Wheeler, an equally iconic figure in the motor finance industry and the driving force behind the expansion of Volkswagen motor finance in the UK a decade ago. The transition has, as expected, been smooth and seamless, and, irrespective of the current market disruption, promises still more of the continuous improvement in customer service and sensitivity to the market it serves that has characterised Advantage's history.

Aspen Bridging

In its third year of trading, Aspen Bridging, our secured short-term property lending business, produced a record profit of £1.2m, an increase of 44% on last year (2019: £0.8m). This was achieved, even before the Covid-19 induced "shutdown", despite a residential property market stagnating as economic uncertainty and the interminable Brexit process dampened consumer and developer confidence. This was reflected in near static house prices and a flat residential market.

NET RECEIVABLES INCREASED 9%

PROFIT BEFORE TAX +2%

Thus, Savills estimated price increases of 1% to 3% increase per annum, and the Association of Short Term Lenders ("ASTL") reported a doubling of re-possession rates as borrowers found both re-financing and anticipated sale exits more difficult.

Against this background, Aspen's achievement of a Return on average monthly Capital Employed before cost of funds of 8.7% (2019: 8.9%) was commendable and a good platform for double digit rates targeted in the future. Market conditions impacted in three ways. First, transaction numbers fell to 57 agreements against 62 last year. However, the average transaction size at Aspen rose to just over a half a million pounds as the business targeted more professional, and therefore reliable, residential developers and refurbishers. Second, this enabled Aspen's revenue to grow to £4.5m (2019: £2.8m) and its advances to rise to £31.3m from £23.1m a year ago; a sensible and cautious strategy given market conditions. Third, a drive for quality was exemplified by £29.0m of repayments excluding retentions in the year (2019: £15.8m), almost on budget despite a smaller than anticipated book.

As would be expected in a still growing short-term bridging market – the ASTL reported unregulated loans growing by 7% in 2019 – competition remains strong. Nevertheless, Aspen is steadily building a reputation for a careful, bespoke and, if necessary, speedy service for introducing brokers and borrowers. Covid-19's effect on the property market has seen Aspen rein back its lending and concentrate its energies on collections. This involves a full weekly monitoring of its portfolio, new treasury parameters, and even more stringent LTV and valuation requirements. These steps will minimise risk in the short term and provide a sound base for Aspen's careful expansion when market conditions allow.

Dividends

Many speculate but no-one knows the course of the Covid-19 pandemic or the speed and shape of the economic recovery which will undoubtedly follow it. Whilst cash conservation is sensible, our strong treasury position and relatively low gearing give us a firm base for the preservation and renewed expansion of our business. Indeed, on current trends the next few months should be cash generative for the Company.

Our usual cautious approach requires us to balance these trends with the interests of our loyal shareholders and institutional partners. S&U's strength has always lain in the identity of interest between its management

A1 CHAIRMAN'S STATEMENT
continued

and shareholders, reflected in its shareholding structure and in its consistent dividend policy. Thus, as earnings per ordinary share have risen over the past six years from 156p to 240p, so this has been reflected in proportionate dividend increases from 66p per ordinary share in 2014/15 to 118p last year.

We have therefore concluded that despite current uncertainties, we should recommend a payment of a final dividend of 50p per ordinary share (2019: 51p) to shareholders on the register at the 19th June 2020. This means that total dividends this year will be 120p per share (2019: 118p) with this total dividend being again covered nearly exactly twice (2019: 1.98). As usual, final dividend will be subject to the approval of shareholders at our AGM, which will now be held by remote means on 9th June 2020.

Funding

I refer above to S&U's traditionally conservative approach to funding. We aim for a cost effective and consistent treasury policy which broadly reflects the four to five-year lending terms of our motor finance business, whilst giving us reasonable headroom for growth.

Hence in the past year net borrowing has risen from £108m to £117.8m, due to a combination of greater than anticipated growth at Advantage against slow expansion at Aspen. After the year-end, we have replaced our £25m facility maturing in March 2021 with a new £20m facility maturing in March 2025 and the maturity on our £60m evergreen revolving credit facility has moved forward a year as planned to March 2023. This results in total facilities of £155m with our gearing remaining at 65.7% (2019: 65.3%).

We expect our borrowing requirements to accelerate the trend evident since year-end by falling significantly over the next four months, as demand for our products falls and our collection performance proves relatively resilient. Less than a month into the pandemic, consistent trends are impossible to discern. Nevertheless, current performance points to a period of nominal transactions in motor finance as brokers close or furlough staff – and very little bridging activity in a "frozen" residential property market. I anticipate these trends continuing at least until the 1st July 2020. Our collections performance for March 2020 has remained just below normal, although declining incomes and a temporary increase in unemployment, will undoubtedly see customers payments lower than last year and many falling into arrears. Forbearance and the extra work on customer contact and relations being done by our collections teams at Advantage, should encourage customers to "stay in their cars", minimise any decline and encourage customers to resume normal payments when the pandemic recedes.

Overall, even on severe assumptions as to the length of the pandemic and its effect on our business, the Group should remain significantly cash generative, giving us a firm base for a resumption of more normal trading when market conditions allow.

Governance and Regulation

The UK Financial Reporting Council (FRC) has clarified the requirements for the section 172 statement for all companies. This outlines how directors have fulfilled their responsibilities under the Companies Act 2006.

Although the detail required by Regulators and Investor Institutions has increased again this year – particularly on our environmental and community

responsibilities, I continue to hope that investors and their representatives will heed the FRC's advice issued last year when it updated the Corporate Governance Code. This specifically eschewed a tick-box approach to shareholder voting recommendations and reminded us that adherence to the Code (and any derogation from it) ought to reflect the "size, complexity, history and ownership structure of the company". Most of all the FRC recommended a "thoughtful and proportionate approach to these matters". Although there was little evidence last year, I remain optimistic that this more proportionate and common-sense approach will be adopted in future.

The regulatory landscape in which our businesses operate has been generally benign over the past year. As part of the FCA review on motor finance, Advantage, along with other significant industry players, participated in an FCA questionnaire. The FCA's response was encapsulated in a letter to all motor finance firms in January this year. This laid out the FCA's continued vigilance on consumer transparency, on accurate and updated affordability calculations and its concern over certain types of broker commission arrangements – never used by Advantage.

All of the FCA's concerns are reflected in the way that Advantage has always operated and it continues to try to be vigilant both within its business and by engaging with horizon scanning via its expert lawyers Shoosmiths and through increased engagement with its trade body the Finance and Leasing Association (FLA). Indeed, this year it is delighted that Graham Wheeler, the new CEO, is to serve on the FLA's Executive body.

Finally, whilst Aspen Bridging operates solely in the unregulated lending market, it nevertheless aims to adopt standards of lending and customer dealing which for prudential and moral reasons reflect those required by the FCA in the Regulated Sector.

During the year the requirements of IFRS16 and its relation to IFRS9 have been reviewed. Emerging market practice and interpretation, which we understand is affecting other companies in our sector, is different to that adopted by the Company after taking guidance in the prior year. We are therefore required to make prior year adjustments to revenue and impairment, as agreed with our auditor, which are detailed later in this report. These adjustments have no effect on either our profits before tax or net assets.

Covid-19 – Actions

The extent of the impact of the Covid-19 pandemic and its effect on the life of the nation only became fully apparent on the week-end of 14th/15th March 2020. The Government mandated "lockdown" began the following week and has tightened since.

S&U has put in place the following measures:

First, staff were withdrawn from offices and all at Advantage, Aspen and Head Office are now able to operate from home. In both businesses TCF and forbearance, as well as commercial wisdom, have dictated that some staff be re-assigned to liaise with existing customers, as opposed to the welcoming of a dwindling number of new ones.

Second, whilst weekly management information has been maintained remotely, daily reports on both sales and collections activity are now circulated amongst senior management. This enables the business to track the nature and circumstances of any new customers we take on. It also allows us to quickly identify customers who may be struggling with their payments to enable us to encourage, re-assure and, where appropriate, re-schedule.

Third, under-writing criteria in all businesses have been tightened to reflect new uncertainties in income and employment. These apply particularly to groups like the self-employed and those engaged in the retail and catering sectors. Required LTVs have been tightened both at Aspen and Advantage, maximum loans restricted and, for Advantage, required repayment headroom revised.

Fourth, whilst treading very carefully, we are still open for business. Our mutual loyalty and interest between brokers, introducer partners and our loyal staff demand this. That will long live in the memories of our customers and partners when Covid-19 has receded into history.

Fifth, we track our response to the crisis against our customers reactions. Three weeks into lockdown, Advantages Trust Pilot reviews are "excellent" with 87% at that level and 5% at "great."

Finally, we keep close to both our regulators and our funders. Transparency breeds trust – we liaise frequently with our brokers and lenders and- more indirectly through our directors who serve on the FLA Executive Board, with the FCA and the Bank of England.

Overall, our ability to ultimately emerge from the Covid-19 crisis stronger will depend upon our financial strength and traditionally conservative management and, more than anything on our relations with our loyal customers. The last words on this are contained in a letter we received on the 26th March 2020 from an Advantage customer. It read, "I just think the service, compassion, understanding and just general decency from Advantage Finance has been amazing .... I can tell you I slept properly for the first time in weeks last night .... thanks to you and your colleagues". We rest our case.

A1 CHAIRMAN'S STATEMENT
continued

Current Trading and Outlook

The true mettle of any man or woman – or organisations in which they work together, is best judged at times of economic and political uncertainty and pessimism than in times of boom. On this measure, both Advantage and Aspen have risen to the challenge this year.

Now, however, the onset of the Covid-19 virus and the unprecedented disruption surrounding it, pose great challenges for consumers both in Britain and the wider world. S&U has strategies in place and the skills, resilience and experience to meet these challenges. However, they are unprecedented and their effect on the economy at present is unknown, as a result the Group is withdrawing future guidance.

In the longer term, demand in Britain for homes and for cars means that the residential property and motor markets we serve should prove resilient and, with a rising population, offer good opportunities for growth. For at least this year and next these trends may be temporarily suppressed as consumers hunker down during Covid-19, and rebalance their lives afterwards. Nevertheless, we hope for a speedy and sustained recovery.

In any event, S&U's long experience, market antennae, technical capabilities and firm financial base will allow us to adapt robustly so as to gradually return to our record of consistent and sustainable growth of the past two decades. All of this would be impossible without the commitment, skills and versatility of all who work with us, to whom I pay heart-felt tribute.

As Henry Luce, the founder of Time magazine once observed, "business is a continual calculation, an intuitive exercise in foresight." Whilst today foresight is in short supply, over eighty years of history gives S&U the strength, realism, ambition and expertise to allow us great confidence in the future.

Anthony Coombs
Chairman

7 April 2020

A2 STRATEGIC REPORT

Overview

For the first time this year, qualifying companies like S&U are required to publish a Section 172 (i) Statement. This explicitly articulates how the Company Directors have fulfilled their duties under the Companies Act 2006. How S&U's directors do this is set out below in our Strategic and Business Review (A2), our Corporate Social Responsibility Review (A4), our Chairman's Statement (A1) and our Governance Section (B3). The Board has reviewed these documents, how they describe the company's decision-making processes and the issues which most inform S&U's business strategy. Specific examples of how the process works have been provided. As a result, the Directors are confident that first, the report fully covers areas of relevant disclosure such as on Strategy, Employees, Stakeholders, Suppliers, Customers, Community and Ethics. Secondly, that the extent of these disclosures is consistent with the size and complexity of the business.

A2.1 Strategic Review

S&U's purpose and vision is to maximise profit and returns to its shareholders in a sustainable and responsible way. This provides security for our employees, fairness for our customers, credibility for our financial and other partners and, ultimately, the ability to enhance the communities that we serve.

S&U now operates in two areas of specialist finance. The first and most established is Advantage Finance, based in Grimsby and engaged for the past two decades in the non-prime sector of the motor finance business. During those 20 years the remarkable success of Advantage in producing competitive finance products, lent responsibly with excellent customer service has been reflected in an almost unique record of 20 years of consistently increasing profits.

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

As a result, Advantage currently receives over 1,000,000 applications a year and has written over 175,000 customer loans since starting trading in 1999.

Of course, Advantage serves an evolving motor market. Restrained real incomes and consumer confidence in the UK have meant that new car sales have fallen from nearly 2.7m in 2016 to 2.3m last year. Moreover, environmental concerns particularly regarding diesel emissions have seen diesel sales fall to less than 30% of the new market compared to a half five years ago.

Indeed, the government has now set a deadline of 2035 when the sale of new internal combustion vehicles will be banned. By then it hopes that electric and hydrogen fuelled vehicles will fill the void. However, according to the Society of Motor Manufacturers and Traders (SMMT), electric vehicles comprise of only 1.5% of new car sales and just 0.3% of the cars on the road in Britain. At present manufacturers are unable to make profits building electric cars on low margins, volumes and add-ons. At present the charging infrastructure for electric vehicles in the UK is inadequate. What is more, the carbon footprint of making the vehicle's batteries outweighs their lower environmental running costs. Indeed, the University of Liege has estimated that electric vehicles with normal 60 kwh batteries would need to travel no less than 435,000 miles before being greener than "conventionally" powered car. Average scrappage is at 115,000 miles.

Overall therefore, our view is that the new car market and the used car market emerging from it will evolve very gradually over the next 15 years.

Electric vehicles may reach about 30% of the total car pool by 2035. Therefore, on current scrappage rates, petrol and diesel vehicles will be on our roads until mid-century.

Back to the present, Advantage offers simple hire purchase ("HP") products, repaid over an average of just over four years and ranging in loan size from £2,000 to £15,000 with an average of £6,500. The increasing quality of the used cars Advantage finances gives customers the reliability they need to get to work and to provide family transport. Advantage's success in serving this demographic group has rested on three pillars. The first is the buoyancy of the used car market in which it operates. Latest figures from the SMMT showed the used car market in the UK last year comprised 7.9 million sales, amongst the highest since SMMT monitoring began in 2001. Around 1.5 million vehicles are bought on finance, a market worth around £17bn a year. Two-thirds or 1,000,000 vehicles are financed on HP, a simple and transparent product suited to Advantage's demographic, which remains resistant to more complex personal contract lease plans.

The second pillar of Advantage's success relates to its own commitment to excellence. The quality of our relationship with introducing brokers, dealers and our customers is based upon a continuous and relentless search for product and service improvement. As Guy Thompson, Advantage's founder always held, good business is the result of a thousand small improvements rather than a very few revolutionary ones. Whilst recognising the importance of its statutory obligations and relationship with the FCA in ensuring that customers are treated fairly, Advantage's care for its customers has historically been central to its success. Thus, this year saw continued refinement of its already sophisticated underwriting scoring and affordability processes. It is now establishing a new Customer Services Department which, together with its further development of customer communications and an updated customer website, will further enhance customers' experience. Above all S&U believes that good business really is *good* business.

A2 STRATEGIC REPORT
continued

The third pillar of Advantage's success depends upon its proven ability to adapt to a changing economy and labour market and the impact they may have on our customers. Non-prime finance customers may have less income flexibility than others, and may have payment records marred by unemployment, divorce or other difficulties. As mentioned above, Advantage's under-writing model is constantly refined in the light of over 20 years of customer service. We appreciate that the customers life journey evolves over their loan term. This demands that responsible lenders continually analyse repayment behaviour, and then use it, within the collections department, in dealing with and supporting our 64,000 customers.

Established in 2017 Aspen Bridging is developing steadily in what has been a subdued residential property market. Although the market for non-regulated bridging loans (those not secured by principal residencies) has increased by 7% over the last year, lack of transactions activity and thus potential exits has, according to the Association of Short-Term Lenders, seen an increase in defaults and re-possessions over that period. Covid-19's effect on the property market in the short term has seen Aspen rein back in its lending recently but in the longer term, longstanding and generally un-met demand for inexpensive, often refurbished housing – both on a rented and purchased basis – make for a very positive future for the bridging sector.

"Main Stream" banks, including the newer "challengers", continue to lack speed, flexibility and appetite to furnish the smaller, short-term loans in which Aspen specialises. As Ernst & Young pointed out in their 2019 UK Bridging Market Study, technology, speed and a quality bespoke service – as well as price – are what give smaller entrants like Aspen their competitive edge.

Our over-arching factor in the success of our business over 80 years and through three family generations of management is our business philosophy. The identity of interest between management and shareholders has fused our ambition for growth with a conservative approach to both credit quality and funding.

A2.2 Business Review

Operating Results

	Year ended 31 January 2020 £m	Year ended 31 January 2019 £m
Revenue (2019 restated see note 1.3)	**89.9**	83.0
Cost of Sales – Impairment (2019 restated see note 1.3)	**(17.2)**	(17.0)
Cost of Sales- Other	**(19.9)**	(15.7)
Gross Profit	**52.8**	50.3
Administrative Expenses	**(12.8)**	(11.2)
Operating Profit	**40.0**	39.1
Finance Costs (Net)	**(4.9)**	(4.5)
Profit before Taxation	**35.1**	34.6
Taxation (note 9 in the accounts)	**(6.2)**	(6.6)
Profit after Taxation	**28.9**	28.0

Advantage Motor Finance
Highlights:

- 20th successive year of record profits of £34.0m (2019: £33.6m)
- Amounts receivable from customers at year-end are a record £280.8m (2019: £258.8m), an increase of 8%. Customer numbers reached a record 64,000 (2019: 59,000)
- 13% higher acquisition cost per deal this year within other Cost of Sales helping to drive new advances up 15% to £149m in competitive market
- Total annual collections at £196.5m (2019: £181.5m), an increase of 8%
- Risk Adjusted Yield* at 25.5% (2019: 24.6%) and a Return on Capital Employed** of 15.2% (2019: 15.6%)

A remarkable 20 years of increased profits at Advantage continued this year with profit before tax of £34.0m (2019: £33.6m). Total collections increased by 8% to £196.5m during the year whilst average amounts receivable from customers increased by 5% to £270.7m this year. Risk adjusted yield has marginally improved to 25.5% this year from 24.6% last year, reflecting the impact of continuous refinement of our underwriting and strengthening of our collections mentioned in our report last year, This improvement in risk adjusted yield and associated improvement in impairment were more gradual than anticipated and together with planned increases this year in deal acquisition, collection and IT costs meant that return on capital employed before cost of funds reduced slightly to a still healthy 15.2% pa (2018/19: 15.6% pa).

* "Risk Adjusted Yield" is calculated as Revenue net of Loan loss provisioning charge divided by average amounts receivable from customers during the period. This ratio is an important indicator in non-prime finance where yield has a strong relationship to the underlying level of risk.

** "Return on Capital Employed" is calculated as Operating Profit before finance costs divided by the average Capital Employed during the period. Capital Employed is the sum of Bank Overdrafts plus Borrowings less Cash and Cash Equivalents plus Total Equity. This ratio is an important indicator of performance recognising that the level of profit can depend on the level of investment in both debt and equity.

Aspen Property Bridging Finance
Highlights:

- Profit of £1.2m in only its third year in operation (2019: £0.8m)
- Aspen gaining credibility and support within the bridging broking community
- £21.0m amounts receivable from customers (2019: £18.3m) and £31.2m gross advances during the year (2019: £23.1m)
- Good repayment track record building – 69 facilities repaid (2019: 38) and no capital losses so far.

Aspen, our young bridging operation now comprises eleven full-time and enthusiastic staff and is building a reputation amongst the bridging finance broker community for speedy, reliable and flexible service. The standard of service it provides has already been recognised in securing nominations for industry wide awards. Each loan applicant has a dedicated account manager and, each property, after undergoing a local valuation which is reviewed by an independent in-house bridging expert, is then visited and assessed by Aspen staff. Momentum is growing and we anticipate further successful growth in Aspen when market conditions allow.

A2.3 Funding and Balance Sheet Review

The sensible and cautious growth achieved by Advantage has seen S&U invest a further £9.8m in its business this year (2019: £3.0m). Group gearing* is now 65.7% (2019: 65.3%) which is well within our covenanted limits and, more importantly, within the conservative trading appetite traditionally associated with S&U.

Group facilities increased from £135m to £160m during the year. The year-end net borrowing of £117.8m has reduced further after the year-end due to restricted lending under the current Covid-19 situation. After the yearend the £25m revolving credit facility due for repayment in March 2021 has been replaced with a £20m revolving credit facility due for repayment in March 2025 and the £60m evergreen revolving credit facility has also been extended its maturity by a year as planned from March 2022 to March 2023. This means total facilities are £155m which coupled with the recent good cash generation should give substantial headroom for further growth when market conditions allow.

The Group has a simple balance sheet and other than net borrowings the significant items are amounts receivable from customers and group equity. Group equity grew by £14.1m during the year which in tandem with the further investment of £9.8m in net borrowings mentioned above, supported a growth in group amounts receivable from customers of £24.7m reflecting sensible and cautious growth in our two operating businesses.

* "Group Gearing" is calculated as the sum of Bank Overdrafts plus Borrowings less Cash and Cash Equivalents divided by Total Equity.

A2.4 Principal Risks and Uncertainties

There have been no material changes in the principal risks and uncertainties in the last reported year. After the year-end, the onset of the Covid-19 virus and the speculation surrounding it pose challenges for consumers in the UK. It is also a principal risk for the S&U Group, which has strategies in place and the skills, resilience and experience to meet those challenges. But they are unprecedented and the effect on the economy is unknown – reliable estimates of both scale and timing do not exist.

A2.4.1 Consumer and Economic risks

The Group is involved in the provision of consumer credit and it is considered that the key material risk to which the Group is exposed is the credit risk inherent in amounts receivable from customers. This risk is principally controlled through our credit control policies supported by ongoing reviews for impairment. The value of amounts receivable from customers may also be subject to the risk of a severe downturn in the UK economy which might affect the ability of customers to repay.

Both the recent Brexit and the General Election events have reduced potential for adverse economic conditions and higher levels of unemployment leading to more repayment delinquency. Further, recent UK employment figures continue strong and Advantage historically has been resilient through adverse macro economic conditions. We therefore believe the risks currently posed to the Group by Brexit are limited.

The Group is particularly exposed to the non-prime motor finance sector and within that to the values of used vehicles which are used as security. These credit, economic and concentration risks are principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation. Recent trends for diesel vehicles have been quite encouraging. These well tried and tested methods will be equally important in limiting risk at Aspen Bridging. Historically impairment rates in this market are extremely low, principally because loan to value calculations are conservative, interest is retained up front, and loan periods are a maximum of one year. Furthermore Aspen has introduced a variety of controls to limit risk in a heavily under supplied housing market.

A2.4.2 Funding and Liquidity Risk

Funding and Liquidity risk relates to the availability of sufficient borrowing facilities for the Group to meet its liabilities as they fall due. This risk is managed by ensuring that the Group has a variety of funding sources and by managing the maturity of borrowing facilities such that sufficient funding is available for the medium term. Compliance with banking covenants is monitored closely so that facilities remain available at all times. The Group's activities expose it to the financial risks of changes in interest rates and where appropriate the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings.

A2 STRATEGIC REPORT
continued

A2.4.3 Legal, Regulatory and Conduct Risk

In terms of legal risk, the Group is subject to legislation including consumer credit legislation which contains very detailed and highly technical requirements. The Group has procedures in place and employs dedicated compliance resource and specialist legal advisers to ensure compliance with this legislation. Advantage directors are prominent members of the Finance and Leasing Association's committees and, through them, regularly liaise with the FCA. Regulatory Risk is addressed by the constant review and monitoring of Advantage's internal controls and processes. This process is buttressed by specific advice from Trade and other organisations and by the work of our internal auditors.

Whilst engaged in the un-regulated sector, Aspen Bridging has adopted procedures which are consistent with those required in the regulated sector. This provides both commercial discipline and provides a platform for standards should Aspen widen its products into the regulated field.

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

A2.4.4 Risk Management

Under Principle 28 of the 2018 UK Corporate Governance Code, the Board is expected to establish procedures to manage risk, identify the principal risks the Company takes in order to achieve its strategic objectives and to oversee an effective internal control framework. In addition, the FRC now expects Boards to assess emerging risks to the company's strategy, although what is precisely meant by these has yet to be clearly defined.

Although compliance with the Code is the responsibility of the Board as a whole, risk in particular is independently assessed by members of the Audit Committee. They receive regular reports, both from the management of Advantage Finance and Aspen Bridging and from S&U's external and internal auditors. These concern the effectiveness of the risk management and internal control systems. Executive changes are regularly made to re-enforce these procedures. For instance, at Advantage they have seen the appointment of a new Chief Risk Officer, responsible for the whole enterprise risk management framework. In addition, a new Chief Operations Officer has been appointed as the first line of defence on Compliance alongside a new Compliance Director. At Aspen, appointments of an independent Under-Writing Manager and a customer relations team are further examples of this trend.

As outlined below, the Audit Committee oversees the work of RSM, S&U's Internal Auditors. The Committee meets regularly to receive specific reports on RSM's work, which includes Cyber Security, GDPR oversight and Cash Management Procedures amongst many other areas. The Committee also recently received and approved a report on Governance at Advantage. All Senior Management Regime designations have now received FCA approval.

A3 STATEMENT OF VIABILITY AND GOING CONCERN

The Group'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 Group, its cash flows, liquidity position, borrowing facilities, legal and regulatory risk position are set out in the financial statements and Strategic Report.

Statement of Viability

In assessing the viability of the Group as required by the UK Corporate Governance Code, the directors considered funding, business planning, financial forecasting and risk evaluation cycles and concluded that a three-year period was appropriate for viability assessment. The three-year period is consistent with the Group planning horizons.

The directors therefore considered the three-year period commencing 1 February 2020 and assessed the prospects of the company taking into account:

- the Group's current position as set out in these financial statements;
- the principal risks facing the Group as set out in A2.4;
- information regarding the current prospects of the Group; and
- current information regarding the onset of the Covid-19 virus.

The directors then considered the same three-year period commencing 1 February 2020 to consider as required if they had a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period taking into account:

- the impacts of different macroeconomic scenarios and whether any severe shock could threaten the Group's future performance, solvency or liquidity;
- funding and financial forecasts for this period and the underlying assumptions by considering the potential impact of the principal risks facing the Group, as set out in A2.4.
- analysis of key sensitivities which could affect profitability during the viability period; Assumptions made are clearly stated and additional scenarios are modelled to demonstrate the potential impact of risks and uncertainties on profitability and funding; and
- information regarding mitigating actions which can be taken.

Having considered all relevant information, the directors confirm that they have robustly assessed the principal risks facing S&U plc. From this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period commencing 1 February 2020.

Statement of Going Concern

In assessing the appropriateness of the going concern assumption, the directors are mindful of the need to effectively manage the Group's risks and internal controls. Details of the Group's financial risk management objectives, its financial instruments, and its exposures to credit risk, market risk, liquidity risk and economic risk including Brexit and Covid-19 risk are set out in the notes to the financial statements (note 1.2 further considers the Covid-19 situation) and in the principal risks and uncertainties noted in A2.4 above. The Group's objectives, policies and processes for managing its capital are described in the notes to the financial statements.

In considering all of the above the directors believe that the Group is well placed and has sufficient financial resources to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the 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.

OUR CUSTOMERS

Mr W lives in Manchester with his wife and works as a Section Leader for a leading supermarket. He first took out finance with Advantage in May 2010 and again in September 2015 with both loans being paid off at the end of their respective terms. At the end of November 2019 Mr W was again looking for financial support to allow the purchase of a vehicle and made a direct approach to Advantage in order to enquire about assistance for his motor finance requirements, and dealt with Natalie, a customer advisor working as part of the Advantage new business team.

Mr W's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for his circumstances. Of course, Mr W's previous Advantage loan was also present which itself had an excellent payment history.

Mr W's application was approved and after being given an indication of his credit limit, settled on a vehicle from a dealer of his choice, after agreeing to a £8,572 purchase price, Advantage provided a £8,572 loan to be repaid over 54 months at monthly repayments well suited to Mr W's budget and around the same as those payments made on his previous agreement.

Once the terms had been agreed, Advantage were able to progress the transaction very quickly using its new electronic signature system which meant that Mr W was able to complete all the relevant documentation and purchase the vehicle without any delay.

Mr W took the time to review his experience on an online review site and was clearly happy with the service he received from Advantage, leaving the following comments as part of a 5 star review:

"Outstanding customer service and great communication from Helen and Natalie and the rest of the team. This is my third visit to Advantage Finance and yet again the team delivered flawless professionalism in every area thanks again."

Mr W

OUR CUSTOMERS

Mr S lives in Bristol with his partner and works in construction. He first took out motor finance with Advantage in 2017, with a balance still on the loan Mr S wanted assistance with his motor finance requirements and approached us for advice. He dealt with Jodie, a customer advisor working as part of the Advantage new business team.

Mr S's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for his circumstances. Despite the two historic CCJs (2016) Mr S paid all of his bills on time and didn't have any other credit commitments. Of course, his previous Advantage loan was also present which itself had an excellent payment history.

Mr S's application was approved and after being given an indication of his credit limit, settled on a Range Rover from a dealer of his choice. After agreeing to a part-exchange allowance on his previous vehicle and paying a cash deposit to the dealer which both amounted to the settlement figure for Mr S's previous agreement. After settling the original agreement this left a purchase price of £14,750, which Advantage arranged a loan to be repaid over 59 months at monthly repayments well suited to Mr S's budget and a very similar level to those payments made on his previous agreement.

Once the terms had been agreed, Advantage were able to progress the transaction very quickly using its new electronic signature system which meant that Mr S was able to complete all the relevant documentation and purchase the vehicle without any delay.

Mr S took the time to review his experience on an online review site was clearly happy with the service he received from Advantage, leaving the following comments as part of a 5 star review:

"Jodie was a first class agent ... always helpful and very knowledgeable of your product, very fast to respond with telephone and emails. An asset to your company... I would have absolutely no hesitation in recommending your company to my family and friends based on my experience in dealing with Jodie."

Mr S

CASE STUDY:
ASPEN

Rapid completion on a HMO

Overview

The borrower was originally acquiring a property with term finance with another lender, however this fell through at the final hurdle. The broker who has had previous dealings with Aspen knew that we would be able to help and save the customer's deposit.

- £249,928.29 gross facility
- Purchase needed to complete in 4 days
- Using funds for acquisition in lieu of term finance

Timeline

Friday:

12:04 The case was submitted online by the broker on Aspen's portal 'Broker View'

14:52 Fully underwritten formal decision in principle issued with valuation and legals fully costed

17:13 We sent our lawyers a full instruction pack & instructed the valuation

Monday:

08:14 Solicitors issued request for undertaking

10:00 Valuer arrives on site

10:00 Aspen underwriter is on site to interview the borrower & review the security

12:02 Applications & undertaking received

12:16 Facility letter approved and legal pack issued

Tuesday:

08:50 Title plan approved

10:36 Insurance received and approved

12:46 The borrowers sign the documents with their solicitors

18:13 Aspen accepted old searches to enable timeline

Wednesday:

05:26 ID documents are receive and anti-fraud checks completed

10:50 Aspens solicitors receives the signed documents

13:31 Report on title is issued

16:17 Aspen external and internal valuation audit is completed

16:40 Funds are released to the client and all brokerage fees are paid that day

Summary

Report on title came though on time and the deal went over the line as planned.

Broker: "I have used Aspen in the past and they have never let me down. Their common sense lending approach combined with competitive rates and simple application process makes using them a no brainer when you are dealing with multiple clients on a daily basis, a lender like Aspen is exactly what you need."

Wayne Hicklin, Head of Underwriting at Aspen Bridging: "This is exactly the sort of deal we started Aspen to do and having a happy customer and broker motivates us to take the same energy on to the next deal."

B&C AWARDS 2018 NEWCOMER OF THE YEAR HIGHLY COMMENDED

FIBA Financial Intermediary & Broker Association

astl member

B&C AWARDS 2018 SPECIALIST PRODUCT OF THE YEAR WINNER

A4 CORPORATE SOCIAL RESPONSIBILITY

A4.1 Employees

S&U maintains a "family ethos" for all those who work within it. We pride ourselves on the centrality of the customer – staff relationship in all our operations. We therefore ensure that all staff receive appropriate initial training and regular re-training in the field and in areas of specialism. We encourage employees to gain professional qualifications where appropriate. External management training is also undertaken in the motor finance division. As required by legislation, we confirm that as an organisation, we respect and recognise human rights in all aspects of our business.

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

The Group's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of their employment. Suitable opportunities and training are offered to disabled persons in order to provide their career development. It goes without saying that a Group based on a family ethos has no truck with discrimination of any kind – except of course on the basis of performance. Further equality and diversity information is contained in the corporate governance report on page 41. People prosper and are promoted within S&U purely on merit.

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

A4.2 Community

S&U does not exist in a vacuum. Our success depends upon our understanding the customers we serve. Where this may not be the case, we have well established policies for any who may wish to complain, routed to our Compliance Department in Grimsby or to our head office in Solihull. Our records demonstrate we enjoy high levels of customer satisfaction and 68 of only 92 complaints which reached the Financial Ombudsman Service in the year were decided in the Group's favour (2019: 63 of 94 complaints were decided in the Group's favour). In the year to 31 January 2020 71% of complaints which reached the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2019: 77%) and therefore not related to operational issues within Advantage.

S&U supports its wider community through charitable giving and activities relating to fundraising. During the year the Group gave over £93,000 (2019: £87,000) in charitable contributions, most of it through the Keith Coombs Trust. The Trust which Anthony Coombs chairs, but which has a Board of independent trustees, mainly gives to charities helping children with disabilities. Last year the Company supported The National Institute for Conductive Education, which deals with adults and children with cerebral palsy, strokes and head injuries, Red Boots, Cure Leukaemia for Kids and other like charities.

As an independent charity, The Keith Coombs Trust also makes financial contributions to the arts, to sport and in supporting the Christian faith. It was the initial sponsor of the new "Ballet Now," an initiative at the Birmingham Royal Ballet that encourages young choreographers, designers and composers. It sponsors youth development at local cricket clubs and also supports the "Leap of Faith" project which assists the wider UK Church in adapting to a digital future.

A4.3 Health and Safety and Diversity Policy

S&U takes its responsibilities towards the health, safety and good working environment of its employees very seriously. However, in the finance field it is not engaged in the kind of processes which compromise health and safety for either our staff or our visitors. Nevertheless, it seeks to provide a congenial and productive working environment. In the next year a new building is planned for employees at Advantage which will improve and maximise space and provide better break out areas. S&U'S Head Office, which also houses Aspen, provides up to date, spacious and high-quality accommodation.

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

A4.4 Climate Change

In July 2019 the Financial Reporting Council issued a joint statement with other regulators on how companies should report on the effect of their activities on climate change. This follows the Government's publication of its Green Finance Strategy which anticipates mandatory disclosures by 2022.

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

A4 CORPORATE SOCIAL RESPONSIBILITY

continued

Our ability to influence our customers environmental decisions at Aspen Bridging is equally constrained. Nevertheless, statutory requirements to publish Energy Performance Certificates for residential properties to let, as well as building regulation requirements for substantial refurbishments, do reflect our customers environmental responsibilities. S&U's own direct environmental footprint is reported below.

Greenhouse gas emissions data

For period 1 February 2019 to 31 January 2020

	Tonnes CO_2	
	Year ended 31 Jan 2020	Year ended 31 Jan 2019
Scope 1 (Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	**115**	106
Gas consumption	**13**	10
Air conditioning systems	**29**	27
Scope 2 (Energy indirect emissions)		
Purchased electricity	**53**	62
Total scope 1 and 2	**210**	205
Scope 3 (Other indirect emissions)		
Water consumption	**2**	1
Waste	**9**	8
Total scope 1, 2 and 3	**221**	214
Company's chosen intensity measurement:		
Normalised tonnes scope 1, 2 and 3 CO_2e per £m turnover	**2.3**	2.4

Gas and electricity usage are based on consumption recorded on purchase invoices. Vehicle fuel usage is based on expense claims and recorded mileage.

We have reported on all material emission sources we deem ourselves responsible for.

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food & Rural Affairs ("DEFRA"). We have also utilised DEFRA'S 2018 conversion factors within our reporting methodology.

The 2013 data forms the baseline data for subsequent periods. In order to express our annual emissions in absolute and relative terms, we have used turnover in our intensity ratio calculation, as this is the most relevant indication of our growth and provides for a good comparative measure over time.

A5 SECTION 172 STATEMENT

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

1. Our Customers

S&U focuses on:

i) making the customer the heart of our business; and

ii) having respect for every customer and always treating customers fairly.

Key actions taken demonstrating how we do this are set out in section A2.1 above. The outcomes of this customer engagement are reflected in high customer satisfaction ratings, low levels of complaints and above all the Group's success over the last two decades.

2. Our Employees

S&U maintains a family ethos for all those who work within it.

Key actions taken demonstrating how we do this are set out in section A4.1 above. The outcomes of this employee engagement are reflected in a streamlined management structure, high staff retention rates, high skill levels, positive reward and recognition and a strong culture of continuous improvement.

3. Our Business Partners

S&U continuously seeks to nurture and improve key business relationships with our key introducing brokers, dealers and key suppliers.

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

4. Our Investors and Funding Partners

S&U's significant family management shareholdings means an identity of interest between shareholders and the management of the company and together with help from trusted advisers maintains close relationships with investors, analysts and also with long term funding partners.

Key actions taken demonstrating how we do this are set out in section B3.2 of our corporate governance report and in section A2.3 of our strategic report. The outcomes of this investor engagement help underpin the total shareholder return graph on page 34. The outcomes of this funder engagement help the strong balance sheet and treasury position outlined in this annual report and accounts.

5. Our regulators and other statutory bodies

S&U has a strong compliance culture which is overseen by management and the audit committee with help from our internal auditors RSM.

Key actions demonstrating how we do this are set out in section B3.1 of our audit committee report. The outcomes of these actions has led to positive feedback from regulatory and other statutory bodies of which the Group is proud.

6. Our Community and Our Environment

S&U does not exist in a vacuum and prides itself on supporting the wider community and looking after its environment.

Key actions demonstrating how we do this are set out in section A4 of the strategic report. The outcomes of these key actions has led to a low environmental footprint and the community and charity support set out in section A4.2 above.

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

A6. Approval of Strategic Report

Section A of this Annual Report comprises a Strategic Report prepared for the Group as a whole in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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

Anthony Coombs
Chairman

7 April 2020

CORPORATE GOVERNANCE

CONTENTS

B1 BOARD OF DIRECTORS

1. Anthony Coombs
Chairman

2. Graham Coombs MA (Oxon) MSc (Lon) Deputy Chairman

3. Chris Redford ACA
Group Finance Director

4. Demetrios Markou MBE FCA
Non-executive

5. Tarek Khlat
Non-executive

6. Graham Pedersen
Non-executive

7. Fiann Coombs BA (Lon) MSc (Lon) Non-executive

1

Anthony Coombs
Chairman

N

Joined S&U in 1975 and was appointed Managing Director in 1999 and then Chairman in 2008. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. He is a director and trustee of a number of companies and charities.

2

Graham Coombs MA (Oxon) MSc (Lon)
Deputy Chairman

Joined S&U after graduating from London Business School in 1976.

3

Chris Redford ACA
Group Finance Director

A Chartered Accountant with over 10 years business experience in the Fast Moving Consumer Goods, food and travel sectors prior to his appointment as Finance Director of Advantage Finance in 1999. Following a successful start up period for Advantage he was appointed as Group Finance Director with effect from 1 March 2004.

4

Demetrios Markou MBE FCA
Non-executive

N A R

A Chartered Accountant with over 40 years' experience in public practice in Birmingham and director of many private companies. He has extensive commercial and political experience.

5

Tarek Khlat
Non-executive

N A R

Tarek co founded Crossbridge Capital where he is currently Group CEO. Prior to this he held leading roles in financial services with Credit Suisse and JP Morgan and in journalism with CNN and Fox. Tarek holds a BA degree in Economics from Georgetown University and an MBA degree from Harvard Business School. He is a trustee and patron of the NSPCC.

6

Graham Pedersen
Non-executive

N A R

Graham joined the Board of S&U in early 2015 and brings enormous experience as a regulator at the Bank of England, Financial Services Authority and Prudential Regulation Authority and as a banker with detailed knowledge and involvement in the speciality finance sector.

7

Fiann Coombs BA (Lon) MSc (Lon)
Non-executive

A professional psychotherapist with experience as an economic analyst and wide ranging commercial skills, Fiann has brought these skills to the considerable benefit of the S&U Group since his appointment to the Board in 2002.

KEY

N **Nominations committee**
A **Audit committee**
R **Remuneration committee**

B2 DIRECTORS' REMUNERATION REPORT

This report has been prepared to comply with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008, the Companies (Miscellaneous Reporting) Regulations 2018, as well as the Companies Act 2006 and other related regulations.

B2.1 REPORT OF THE BOARD TO THE SHAREHOLDERS ON REMUNERATION POLICY

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2020.

Overall Advantage increased profit before tax again this year and, coupled with a healthy and profitable third year for Aspen our fledgling Property Bridging Finance business, S&U plc Group profits this year increased by £0.5m to £35.1m.

The Company's forward looking Remuneration Policy was approved with a binding vote at AGM on 18 May 2018 and, consistent with the usual 3 year review period, there are no changes proposed to the policy this year. A copy of our full Remuneration Policy Report is available on our website www.suplc.co.uk and can be viewed in the Directors' Remuneration Report of the Annual Report and Accounts of S&U plc for the year ended 31 January 2018.

The Directors' Remuneration Report therefore sets out how the Remuneration Policy was applied during the year ended 31 January 2020 and how the Remuneration Committee has decided the Remuneration Policy will be operated for the year commencing 1 February 2020 (this is subject to an advisory vote at the 2020 AGM).

2019/20 key decisions and pay outcomes

The aim of the Company's Remuneration Policy is to deliver simple and fair remuneration packages which are linked to both Group and personal performance, retention focussed and appropriate for the Company, its Shareholders and the directors and other key stakeholders.

The year ending 31 January 2020 saw over 23,000 new agreements in the year for Advantage's motor finance and in its third year of operation Aspen Bridging lent over £30m and from 154 new loan facilities to date has now had 112 repayments. These metrics are slightly behind our expectations in a slower property market. Whilst the political and economic uncertainties inherent in both the Brexit negotiations and a slowing economy remain, S&U has continued to demonstrate its historic ability to produce excellent results and strong, sustainable growth.

Anthony Coombs, Graham Coombs and Chris Redford

Based on the underlying profit performance of the Group and Return on Capital Employed ("ROCE"), the Remuneration Committee judged the level at which the annual bonus payments should be made. Group PBT for the year grew by 1.7% to £35.1m. Although this was below the PBT stretch target level of £36.5m (equivalent to annual growth of 5.5%) for which 100% of bonus would be payable, the Remuneration Committee determined that for the financial year 2019/20, having regard to the extent to which both financial and individual performance targets had been met, bonuses of £25,000 each would be awarded to Anthony Coombs and Graham Coombs, equal to 33% of the maximum annual bonus opportunity. The Remuneration Committee also determined that a bonus of £31,250 would be awarded to Chris Redford, equal to 42% of his maximum annual bonus opportunity, again having regard to the extent to which both financial and individual performance targets had been met over the relevant year. The Remuneration Committee considers these annual bonus awards to be fair and reasonable and reflective of each director's achievement against financial and individual performance targets during the relevant year.

In April 2019 Chris Redford was granted 7,500 LTIP share options at an exercise price of 12.5 pence per share, as disclosed in last year's Directors Remuneration Report. The Remuneration Committee determined that 3,500 of these share options vested with reference to performance during the year ended 31 January 2020 based on an increase to Group PBT against a stretch target of £36.5m. The balance of 4,000 share options which did not vest have lapsed. The 3,500 vested share options will not normally be exercisable until April 2022, subject to continued employment.

Guy Thompson

Based on the underlying profit performance of Advantage and ROCE based targets, the Remuneration Committee judged the level at which the annual bonus payments should be made. Consequently, for the financial year 2019/20 a bonus of £100,000 was awarded to Guy Thompson equal to 50% of the maximum annual bonus opportunity.

Guy Thompson was granted 12,000 shadow share options in August 2019 at a notional exercise price of 12.5 pence per notional share under option, as disclosed in last year's Directors Remuneration Report. The Remuneration Committee determined that 8,000 of these shadow share options vested with reference to the underlying profit performance of Advantage and ROCE based targets during the year ended 31 January 2020. The balance of 4,000 shadow share options that did not vest have lapsed. As also disclosed in last year's Directors Remuneration Report, 3,000 shadow share options had been deferred and would vest if additional performance targets based on the underlying profit performance of Advantage and ROCE measures for the year ended 31 January 2020 were achieved. The Remuneration Committee determined that 2,000 of these deferred shadow share options vested with reference to performance during the year ended 31 January 2020. The balance of 1,000 deferred shadow share options that did not vest have lapsed. The total of 10,000 vested shadow share options will not normally be exercisable until August 2022, subject to Guy Thompson remaining in employment within the Group until at least the end of August 2020.

Key remuneration decisions and related matters for the year ending 31 January 2021

Guy Thompson – subject to review and comment by S&U

As disclosed to shareholders and investors on 24 September 2019, Guy Thompson informed the Board of Directors of his intention to step down as a director of Advantage and S&U plc and retire from the S&U plc group during 2020. On 31 January 2020 and 10 February 2020, Guy Thompson stepped down as a director of Advantage and S&U plc respectively; however, Guy continues to be employed by Advantage as a strategy adviser at least until the end of August 2020.

As disclosed above and elsewhere in the Annual Report on remuneration, on the basis that Guy Thompson remained a director of Advantage and S&U plc throughout the year ended 31 January 2020, the Remuneration Committee determined that he should remain fully entitled to any annual bonus, LTIP and deferred shadow options in respect of that year. Guy Thompson shall continue to be paid a salary in respect of his employment with Advantage during the year starting on 1 February 2020; however, he will not be granted any new LTIPs or deferred shadow options.

In respect of Guy Thompson's entitlement to any vested and unvested shadow share options and deferred shadow options that he currently holds under the LTIP, the Remuneration Committee determined that in the light of his 20 year service and performance within the S&U plc group to-date, he will be treated as a 'good leaver' under the LTIP if he retires after the end of August 2020 and shall be permitted to retain his shadow share options and deferred options, subject to the rules of the LTIP and the satisfaction of any performance conditions.

No payments for loss of office have been made or agreed with Guy Thompson.

Salary increases, annual bonus and LTIP

The Remuneration Committee approved salary increases for the executive directors of between 1.4% and 3.3% with effect from 1 February 2020 after carefully considering their performance and taking into account the range of salary increases awarded to the wider work force.

For the year ending 31 January 2021, where the performance targets set are achieved, the annual bonus has been set at £75,000 for Anthony Coombs, Graham Coombs and Chris Redford. Where the performance targets set are exceeded, the Remuneration Committee has the discretion to pay an increased annual bonus and the maximum amount payable will not exceed the maximum limits stated in the Remuneration Policy. The annual bonuses will continue to be assessed against stretching divisional and group PBT targets and Return on Capital Employed (ROCE). Where stretching performance targets are not fully met, the Remuneration Committee can exercise discretion to pay a reduced annual bonus.

The Committee intends to grant 7,500 share options under the LTIP to Chris Redford, subject to achieving certain group PBT and ROCE targets for the year ending 31 January 2021.

The combined incentive potential between the annual bonus and LTIP (including shadow share options) for each director will not exceed the exceptional circumstances limit of 200% of salary as set out in the Remuneration Policy.

For the year ending 31 January 2021, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs and Graham Coombs similarly provides adequate alignment to shareholders.

An inflation increase from £35,000 to £35,500 has been proposed in respect of fees for the year ended 31 January 2020 for the non-executive directors and an increase from £37,000 to £37,500 for the senior non-executive director. This represents an increase of approximately 1.4%.

New Policy

The Company intends to seek approval for a new Remuneration Policy at the AGM to be held in or around May 2021. The Remuneration Committee shall, therefore, commence a review of the current Remuneration Policy during the year and, having regard to the Company's ongoing business strategy and key performance indicators and taking into account the views of major shareholders, investors and the interests other key stakeholders and the workforce, determine whether or not any changes, and what changes, to the Remuneration Policy should be made in the future. The outcome of the review will be set out in next year's annual report.

The Remuneration Committee continues to welcome Shareholder feedback on their remuneration decisions or on any issue related to executive remuneration. I commend this report to Shareholders and ask that you support the resolution to approve the Company's Annual Remuneration Report at the Company's AGM on 19 May 2020.

Tarek Khlat
Chairman of the Remuneration Committee

7 April 2020

B2 DIRECTORS' REMUNERATION REPORT
continued

B2.2 ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2020. Certain elements of the Annual Remuneration Report are subject to audit and this has been highlighted at the start of each section.

Remuneration Committee (this section is not subject to audit)

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Remuneration Committee are Mr Graham Pedersen, Mr Demetrios Markou and Mr Tarek Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on pages 24 and 25. The Remuneration Committee is chaired by Mr Tarek Khlat.

None of the Remuneration Committee has any personal financial interest (other than as Shareholders), conflicts of interest arising from cross-directorship or day-to-day involvement in running the business. The Remuneration Committee makes recommendations to the Board regarding the determination, implementation and operation of the remuneration policy for the S&U plc group of companies, including the Chairman and executive directors.

The Remuneration Committee is responsible within the authority delegated by the Board for determining, implementing and operating the Remuneration Policy and for determining the specific remuneration packages for each of the executive directors. In particular, the Remuneration Committee has the following key responsibilities:

- determining and setting variable and performance-related pay, and the assessment of performance targets for executive directors;
- reviewing and approving the remuneration arrangements and fees for each individual director;
- reviewing and approving the remuneration arrangements and any payments for loss of office or severance packages for new directors and those stepping down as a director or ceasing to be a member of the senior management team; and
- reviewing and having regard to the general remuneration pay practices and polices across the wider workforce when setting executive pay.

In its role to implement and operate the Remuneration Policy for directors the Remuneration Committee considers and has regard to:

- the need to attract, retain and motivate high quality individuals to optimise Group performance;
- the need for an uncomplicated link and clear line of sight between performance and rewards;
- the need for an appropriate balance between fixed and variable remuneration and short term and long term rewards and alignment with shareholder interests;
- best practice and remuneration trends within the company and the financial services industry;
- the requirements of the UK Corporate Governance Code and existing director contracts; and
- previous shareholder feedback and the interests of other relevant stakeholders and employees.

The Remuneration Committee's terms of reference were reviewed during the year and are available on our website www.suplc.co.uk.

Advisors to the Remuneration Committee

The Remuneration Committee is assisted in its work by the Chairman, Deputy Chairman and the Group Finance Director. The Chairman is consulted on the remuneration of those who report directly to him and also of other senior executives. No executive director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration. During the year, the Remuneration Committee was also assisted in its work by KPMG LLP who provide advice and guidance on remuneration matters. The Remuneration Committee is comfortable that the KPMG team which provided advice to the Remuneration Committee was and is independent and that they did not have any connections with S&U plc that may have impaired their objectivity. The total fees paid to KPMG for the provision of independent advice during the year ended 31 January 2020 was £24,600 charged on a time and materials basis. KPMG also provide taxation compliance and advisory services to the Group.

Attendance at meetings

Details of the number of Remuneration Committee meetings held during the year and attendance at those meetings is set out in the Governance section on page 41 of this Annual Report.

Single Figure Tables (this section is subject to audit)

The table below sets out in a single figure the total amount of remuneration including each component received by each of the directors for the year ended 31 January 2020:

	Age	Salaries and fees £000	Allowances and benefits £000	Pension Contributions/ Salary Supplement in Lieu of Pension £000	Bonus £000	Share incentive plans (DSOP /LTIP) £000	Total £000
Executive directors							
Anthony Coombs	67	355	47	–	25	–	427
Graham Coombs	67	340	35	–	25	–	400
Chris Redford	55	225	29	33	31	74	392
Guy Thompson	64	400	43	53	100	210	806
Non-executive directors							
Demetrios Markou	76	37	–	–	–	–	37
Fiann Coombs	51	35	–	–	–	–	35
Graham Pedersen	65	35	–	–	–	–	35
Tarek Khlat	53	35	–	–	–	–	35
Total		1,462	154	86	181	284	2,167

The table below sets out in a single figure the total amount of remuneration including each component received by each of the directors for the year ended 31 January 2019:

	Salaries and fees £000	Allowances and benefits £000	Pension Contributions/ Salary Supplement in Lieu of Pension £000	Bonus £000	Share incentive plans (DSOP/ LTIP) £000	Total £000
Executive directors						
Anthony Coombs	340	52	–	20	–	412
Graham Coombs	325	23	–	20	–	368
Chris Redford	215	22	31	25	53	346
Guy Thompson	390	41	51	150	127	759
Non-executive directors						
Demetrios Markou	35	–	–	–	–	35
Fiann Coombs	33	–	–	–	–	33
Graham Pedersen	33	–	–	–	–	33
Tarek Khlat	33	–	–	–	–	33
Total	1,404	138	82	215	180	2,019

B2 DIRECTORS' REMUNERATION REPORT
continued

Salaries & fees	The amount of salary / fees received in the period.
Allowances and benefits	The taxable value of benefits received in the period. These are company car or allowance, private fuel, life insurance and private medical insurance.
Pension	The pension figure represents the cash value of pension contributions received by the executive directors. This includes the Company's contributions to the defined contribution pension scheme and any salary supplement in lieu of a Company pension contribution.
Annual Bonus	Annual bonus is the value of the cash bonus earned in respect of the year. A description of the performance targets against which the bonus pay-out was determined is provided on page 32. The Remuneration Committee determined that no part of any bonus paid for the year ended 31 January 2020 would be deferred.
Share incentive plans (DSOP/ LTIP)	For the year ending 31 January 2020: • Stretch PBT and ROCE based performance targets for the year to 31 January 2020 were not met in full; accordingly, the Remuneration Committee determined that 67% of the 12,000 LTIP shadow share options granted to Guy Thompson on 01 August 2019 (i.e. 8,000 shadow share options) vested in respect of performance to 31 January 2020 and 67% of the 3,000 LTIP shadow share options granted to Guy Thompson which were deferred from performance year 18/19 and subject to a further performance target (i.e. 2,000 shadow share options) also vested in respect of performance to 31 January 2020. In both cases 33% of the shadow share options were deemed to have lapsed (ie a total of 5,000 shadow share options) as although Group profits this year increased the stretch PBT target was not met in full. The 10,000 vested shadow share options are subject to continued employment until August 2020 and will not normally be exercisable until August 2022. • Stretch PBT and ROCE based performance targets for the year to 31 January 2020 were not met in full; accordingly, the Remuneration Committee determined that 47% of the 7,500 LTIP share options granted to Chris Redford in April 2019 (i.e. 3,500 shares) vested in respect of performance to 31 January 2020 and 53% (i.e. 4,000 shares) were deemed to have lapsed. The 3,500 vested share options are subject to continued employment until April 2022 and will not normally be exercisable until April 2022. • Although both the above LTIP options are subject to continued employment, the value of the shares vesting by reference to performance to 31 January 2020 is shown above based on the three month average share price to 31 January 2020 (£21.04). • In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, it is estimated that none of the value of the LTIP releases is attributable to share price growth over the period starting on the date of grant and ending on 31 January 2020 as awards were granted using an average share price of £22.23. The Remuneration Committee concluded that no discretion will be applied in determining the level of vesting of the LTIP awards as a result of share price depreciation. For the year ended 31 January 2019 comparative figures for the value of options vesting under the share incentive plans have been calculated as follows: • 50% of the 12,000 LTIP shadow share options granted to Guy Thompson on 01 August 2018 (i.e. 6,000 shadow share options) vested in respect of performance to 31 January 2019, 25% (i.e. 3,000 shadow share options) were subject to a further performance target for the year ended 31 January 2020 and 25% (i.e. 3,000 shadow share options) were deemed to have lapsed as although Group profits this year increased by 15% the PBT target was not met. The 6,000 vested shadow share options are subject to continued employment until August 2020 and will not be exercisable until August 2021. • 50% of the 5,000 LTIP share options granted to Chris Redford in April 2018 (i.e. 2,500 shares) vested in respect of performance to 31 January 2019 and 50% (i.e. 2,500 shares) were deemed to have lapsed. The 2,500 vested share options are subject to continued employment until April 2021 and will not be exercisable until April 2021. • Although both the above LTIP options were also subject to continued employment, the value of the shares vesting by reference to performance to 31 January 2019 is shown above based on the three month average share price to 31 January 2019.

Individual elements of remuneration (this section is subject to audit apart from the application of the Remuneration Policy to the individual elements of remuneration for the year ending 31 January 2019).

Base salary and fees

Base salaries for individual executive directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. Non-executive directors will continue to receive directors' fees in line with market practice. As disclosed in the Annual Report on Remuneration last year, for the year ending 31 January 2020, Anthony Coombs, Graham Coombs, Chris Redford and Guy Thompson all received a salary increase of between 2.5% and 4.6%, effective from 1 February 2019.

For the year ending 31 January 2021, Anthony Coombs, Graham Coombs, Chris Redford and Guy Thompson all received a salary increase of between 1.4% and 3.3%, effective from 1 February 2020. This is at the lower end of the range of increases awarded to the wider force. The average base salary increase for the wider workforce was 5.2%.

The table below shows the base salary increases awarded in the year:

Executive director	Base salary as at 31 January 2020 £000	Base salary for year to 31 January 2021 £000	Increase %
Anthony Coombs	**355**	360	1.4
Graham Coombs	**340**	345	1.5
Chris Redford	**225**	232.5	3.3
Guy Thompson*	**400**	N/A	N/A

*Guy Thompson ceased to be a director of Advantage Finance on 31 January 2020 and a director of S&U plc on 10 February 2020. Guy remains an employee of Advantage Finance for which he continues to be paid a monthly salary; however, he does not receive any salary or fees from S&U plc in respect of his being a director of S&U plc during the year starting on 1 February 2020.

Non Executive Directors

The remuneration policy for non-executive directors is determined by the Board. Fees reflect the responsibilities and duties placed upon non-executive directors whilst also having regard to market practice. The basic non-executive director fee was increased from £33,000 to £35,000 with effect from 1 February 2019. The basic senior non-executive fee was increased from £35,000 to £37,000 with effect from 1 February 2019. The non-executive directors do not participate in any of the Company's share incentive plans nor do they receive any benefits, bonus or pension contributions.

Non-executive director fees	2018/19 £000	2019/20 £000	2020/21 £000
Basic fee	**33**	35	35.5
Additional fee for Demetrios Markou as Senior Independent Non-executive director	**2**	2	2

B2 DIRECTORS’ REMUNERATION REPORT
continued

Annual bonus

For the year ending 31 January 2020, annual bonuses for the executive directors were based on stretching Group or divisional PBT targets. The table below sets out the maximum bonus opportunity that each of the executive directors could earn for the year ending 31 January 2020 together with the Group PBT targets and details of the actual bonus earned.

	Performance targets	Maximum annual bonus opportunity year ending 31 January 2020 £000	Bonus pay-out % of maximum %	Actual bonus earned for the year ending 31 January 2020 £000
Anthony Coombs	Group PBT target (£36.5m) and (for Chris Redford only) ROCE target	75	33	25
Graham Coombs		75	33	25
Chris Redford		75	42	31
Guy Thompson	Advantage Finance PBT and ROCE target*	200	50	100

* Whilst the Remuneration Committee is aware that some shareholders wish to see detailed retrospective disclosure of bonus targets, it considers this inappropriate for the divisional PBT and Group and Divisional targets given that such targets are based on commercially sensitive information that the Board believes could negatively impact the Group’s competitive position by providing our competitors with insight into our business plans and expectations, resulting in significant risk to future profitability and shareholder value. We will review annually this commercial sensitivity and consequent non-disclosure of the historic divisional PBT and Group and Divisional ROCE targets. However, we are committed to providing as much information as we are able to, in order to assist our investors in understanding how our incentive pay-outs relate to performance delivered. Details of the Group PBT targets are disclosed above.

Based on performance in the year ended 31 January 2020 bonuses of £25,000 each were deemed payable to Anthony Coombs and Graham Coombs and a bonus of £31,250 was deemed payable to Chris Redford. Although actual Group PBT was £35.1m, slightly below the £36.5m PBT stretch target, given the Group profits increased again in the year, the Remuneration Committee exercised its discretion and determined to vest reduced bonuses.

As disclosed in the Annual Report on Remuneration last year, for the year ending 31 January 2020, the maximum annual bonus opportunity for Guy Thompson was set at £200,000. Based on performance in the year ended 31 January 2020 a bonus of £100,000 was deemed payable to Guy. This equates to a total bonus payable in respect of the year ended 31 January 2020 of 25% of the salary he earned in the year.

Annual bonus in 2020/21

For the year ending 31 January 2021, where the performance targets set are achieved, the annual bonus has been set at £75,000 for Anthony Coombs, Graham Coombs and Chris Redford. Where the performance targets set are exceeded, the Remuneration Committee has the discretion to pay an increased annual bonus and the maximum amount payable will not exceed the maximum limits stated in the Remuneration Policy. The annual bonus will continue to be assessed against stretching Group and divisional PBT targets.

The Remuneration Committee considers that the actual annual bonus targets are commercially sensitive and should therefore remain confidential to the Company. They provide our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will continue to disclose how the bonus pay-out delivered relates to performance against the Group PBT targets on a retrospective basis.

Long Term Incentives – Long Term Incentive Plan (LTIP) 2010

Awards granted during the period

Chris Redford was awarded 7,500 share options under the LTIP in April 2019 at an option exercise price of 12.5 pence per share, subject to achieving certain Group PBT and ROCE targets for the year ended 31 January 2020.

Guy Thompson was awarded 12,000 shadow share options under the LTIP in August 2019 at a notional exercise price of 12.5 pence per share subject to achieving specified PBT targets for the year ended 31 January 2020.

The shadow share options give Guy Thompson the opportunity to receive a cash payment equal to the value of the vested shares for each award when the awards are exercised. These awards will be satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company’s share price in order to retain long term alignment.

Awards vesting based on performance in respect the year ended 31 January 2020

Details of awards vesting based on performance in respect of the year ended 31 January 2020 have been included in the notes to the single figure tables on page 29

Awards for 2020/21

The Committee intends to grant 7,500 share options under the LTIP 2010 to Chris Redford, subject to achieving certain PBT and ROCE targets for the year ending 31 January 2021. The LTIPs will normally become exercisable three years from grant, subject to the satisfaction of the performance conditions and Chris Redford remaining in employment. The Remuneration Committee considers that the targets are commercially sensitive and should therefore remain confidential to the Company. They provide our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will continue to disclose how the LTIP vesting relates to performance against the Group PBT targets on a retrospective basis.

		Vesting schedule	
		2020	**2021**
Anthony Coombs	Bonus	£25,000	£75,000
	LTIP (shares)	–	–
	Shadow share options	–	–
Graham Coombs	Bonus	£25,000	£75,000
	LTIP (shares)	–	–
	Shadow share options	–	–
Chris Redford	Bonus	£31,250	£75,000
	LTIP (shares)	3,500	5,000
	Shadow share options	–	–
Guy Thompson*	Bonus	£100,000	N/A
	LTIP (shares)	–	N/A
	Shadow share options	10,000	N/A

* As announced on 24 September 2019 Guy Thompson notified the Board of Directors of S&U plc of his intention to retire during 2020. Guy stepped down as a director of Advantage and S&U plc on 31 January 2020 and 10 February 2020 respectively, but remains an employee with Advantage until at least the end of August 2020. In the light of Guy Thompson ceasing to be a director of Advantage and S&U plc, the Remuneration Committee has determined that he will not be entitled to any bonus, or the grant of any new LTIP or shadow share options in respect of qualifying services during the year commencing 1 February 2020. Existing LTIP and shadow share options held by Guy Thompson shall continue to remain exercisable in accordance with the rules of the LTIP and Remuneration Policy.

For the year ending 31 January 2021, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs and Graham Coombs provides adequate alignment to shareholders. No shareholding guideline applies to any of the other directors of the Company.

Total pension entitlements in 2019/20 (this section is subject to audit)

During the year the Group made contributions into a defined contribution scheme on behalf of Guy Thompson and Chris Redford or pays a salary supplement in lieu. None of the directors have accrued benefits under the defined benefit scheme.

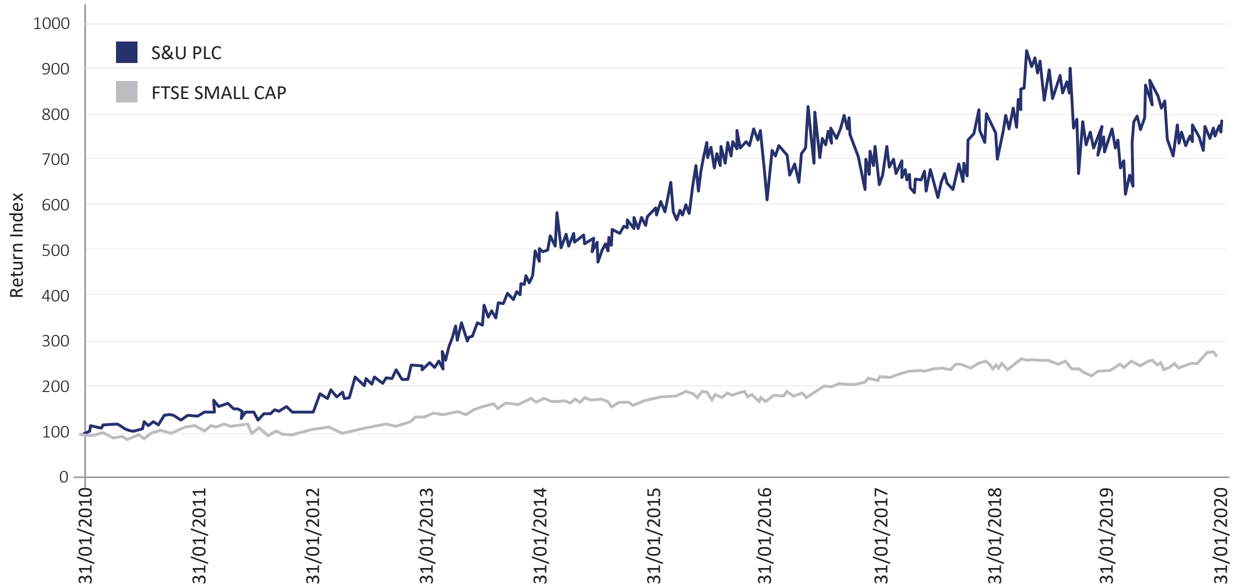
Director	Defined contribution or salary supplement in lieu £000	Percentage of Salary %
Chris Redford	33	14.5
Guy Thompson	53	13.2

B2 DIRECTORS' REMUNERATION REPORT
continued

Company performance – shareholder return graph (this section is not subject to audit)

The following graph shows the Company's Shareholder Return performance, compared with the performance of the FTSE Small Cap, over the past ten years. This comparator has been selected since it illustrates S&U's relative performance within their sector.

10 Year total shareholder return index at 31 January 2020



Executive Chairman Remuneration for the previous ten years (this section is not subject to audit)

The Group does not have a CEO but the table below shows the detail required by the regulations for our executive chairman Mr Anthony Coombs:

	Single figure of remuneration £000	Annual bonus (% of maximum opportunity for the year) %	Long term incentive (% of maximum number of shares for the year) %
2020	427	33	n/a
2019	412	40	n/a
2018	387	0	n/a
2017	402	50	n/a
2016	394	100	n/a
2015	390	100	n/a
2014	370	100	n/a
2013	445	50	71
2012	436	100	100
2011	360	100	n/a
2010	337	57	n/a

Percentage change in Executive Chairman Remuneration (this section is not subject to audit)

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for Anthony Coombs for the year ended 31 January 2020 compared to the wider workforce.

Element	Executive Chairman* %	Wider Workforce %
Base salary	4.4	5.2
Allowances and benefits	(9.6)	n/a
Bonus	25.0	3.0

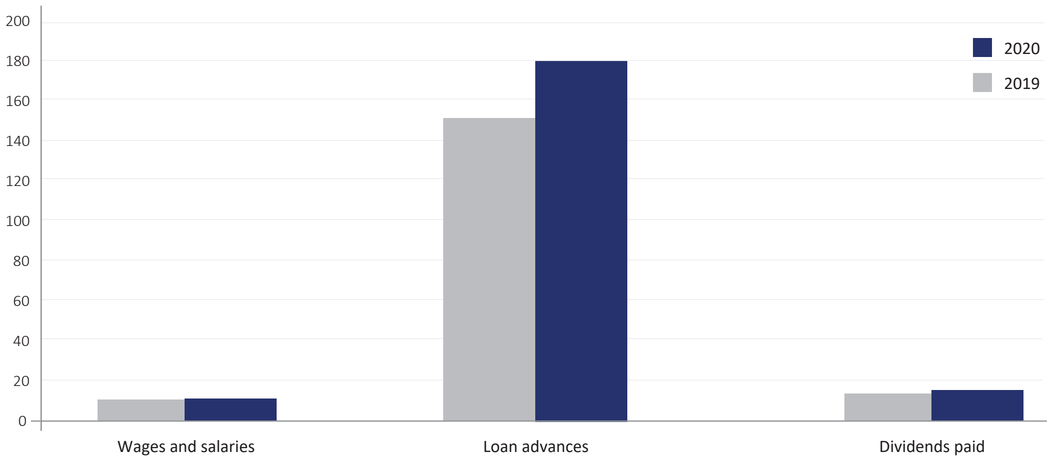
* Anthony Coombs received benefits and allowances of £47,000 in the year ending 31 January 2020 and £52,000 in the year ending 31 January 2019. Anthony Coombs earned a bonus of £25,000 for the year ending 31 January 2020 and earned a bonus of £20,000 for the year ending 31 January 2019.

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the average total number of UK employees within the S&U plc group for the relevant year was less than 250; accordingly, the Company is not currently required to report on the ratio of the Chairman's single total figure of remuneration relative to the Company's UK employees across the group. The Remuneration Committee shall continue to review and monitor its disclosure obligations under the Companies (Miscellaneous Reporting) Regulations 2018.

Relative Importance of Spend on Pay (this section is not subject to audit)

The graph below shows the relative importance of spend on pay against other cash outflows of the Group for the years ending 31 January 2019 and 31 January 2020. Given the nature of the Group's business, the other significant outflows for the Group are loan advances and dividends payable.

Annual expenditure January 2020 v January 2019



Payments for loss of office (this section is not subject to audit)

There were no loss of office payments made during the year ended 31 January 2020.

As disclosed elsewhere in the report, Guy Thompson informed the Board of Directors of his intention to step down as a director of Advantage and S&U plc and retire from the S&U plc group during 2020. On 31 January 2020 and 10 February 2020, Guy Thompson stepped down as a director of Advantage and S&U plc respectively; however, Guy continues to be employed by Advantage as a strategy adviser at least until the end of August 2020.

As disclosed above and elsewhere in the Annual Report on remuneration, Guy Thompson shall be paid a salary in respect only of his continuing employment with Advantage during the year starting on 1 February 2020; however, he will not be granted any new LTIPs or deferred shadow options.

In respect of Guy Thompson's entitlement to any vested or unvested shadow share options and deferred shadow options that he currently holds under the LTIP, the Remuneration Committee has determined that, in the light of his service and performance, Guy will be treated as a 'good leaver' under the LTIP when he retires at the end of August 2020 and permitted to retain his shadow share options and deferred options, subject to the rules of the LTIP and the satisfaction of any performance conditions.

No payments for loss of office have been made or agreed with Guy Thompson.

B2 DIRECTORS' REMUNERATION REPORT
continued

Statement of directors' shareholding and share interests

The table below details the shareholdings and share interests of the directors as at 31 January 2020.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2019
Anthony Coombs	Shares	1,342,527	–	–	–	1,342,527
	LTIP		–	–	5,000	5,000
Graham Coombs	Shares	1,591,457	–	–	–	1,591,457
	LTIP		–	–	–	–
Chris Redford	Shares	18,500	–	–	–	18,500
	LTIP		–	6,000	–	6,000
Guy Thompson*	Shares	–	–	–	–	–
	LTIP		–	–	–	–
Non- executive directors						
Demetrios Markou	Shares	4,500	–	–	–	4,500
Graham Pedersen	Shares	–	–	–	–	–
Fiann Coombs	Shares	283,550	–	–	–	283,550
Tarek Khlat	Shares	–	–	–	–	–

* In addition Guy Thompson participates in a shadow share option plan, which will be satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company's share price in order to retain long term alignment.

In addition to the above holdings, Grevayne Properties Limited, a Company beneficially controlled by Anthony Coombs and Graham Coombs, hold 298,048 Ordinary Shares.

There are no specific shareholding requirements for directors and there have been no changes to the above shareholdings and share interests between 31 January 2020 and the date of this report.

Shareholder vote on the 2019 Remuneration Report and 2018 Remuneration Policy (this section is not subject to audit)

The table below shows the voting outcome at the 23 May 2019 AGM for the 2019 Directors Remuneration Report (advisory) and the voting outcome at the 18 May 2018 AGM for the 2018 Remuneration Policy:

	Number of votes "For" and "Discretion"	% of votes cast	Number of votes "Against"	% of votes cast	Total Number of votes cast	Number of votes "withheld"
Annual Report on Remuneration 2019	6,008,796	93.30	431,786	6.70	6,470,157	29,575
Remuneration Policy 2018	5,655,407	92.25	474,815	7.75	6,131,783	1,561

The Remuneration Committee welcomed the passing of the resolutions and the support shown by those Shareholders who voted in favour and the Remuneration Committee has taken steps wherever practicable to understand Shareholder concerns when withholding their support.

Approval

This report section B2 of the Annual Report and Accounts including both the Remuneration Policy Summary and The Annual Remuneration Report was approved by the Board of Directors on 7 April 2020 and signed on its behalf by:

Tarek Khlat
Chairman of the Remuneration Committee

7 April 2020

B3 GOVERNANCE

B3.1 AUDIT COMMITTEE REPORT

Role and Responsibilities

The Audit Committee is a committee of the Board of Directors. Its main role is to assist the Board and protect the interests of shareholders by reviewing the integrity and appropriateness of the Group's financial information, the systems of internal controls and risk management and the audit process.

Composition of the Committee and Meetings

The Company has established an Audit Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee are Mr G Pedersen, Mr D Markou and Mr T Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on pages 24 and 25. The Committee is chaired by Mr D Markou. Meetings are held not less than twice a year normally in conjunction with the interim and full year financial reports issued in September and March. The external auditors or individual members of the Audit Committee may request a meeting if they consider one is necessary and the Committee ensure that discussions are held with the external auditors without executive Board members present. During the year ending 31 January 2020 three meetings were held including Audit planning meetings.

Significant Matters related to the financial statements

The significant matters and areas of judgement considered by the Audit Committee in relation to the January 2019 Financial Statements were as follows:

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 61.

Receivables are impaired in Motor Finance based on the overall contractual arrears status and also the number of cumulative contractual weekly payments that have been missed in the last 6 months. Impairment is calculated using models which use historical payment performance and amounts recovered from security realisation to generate the estimated amount and timing of future cash flows from each arrears stage. In addition and in accordance with the provisions of IFRS9 a collective provision is made for expected credit losses in the next 12 months in the remainder of the loan book.

Judgement is applied as to the appropriate point at which receivables are impaired and the level of cash flows that are expected to be recovered from impaired customers.

In order to assess the appropriateness of the judgements applied, an exercise is performed to assess the most recent performance of customers, including the cash collection and recovery performance of impaired customers. This is used to help forecast expected cash collections which are then discounted at the effective interest rate and compared to the carrying value of receivables at the yearend with the difference being the impairment provision.

In assessing the adequacy of the Motor Finance impairment provision the Audit Committee considers, reviews and challenges:

a) The work performed by management and by Deloitte in validating the data used and their challenge of the assumptions used by management; and
b) The findings in light of current trading performance and expected future trading performance.

Revenue Recognition – Motor Finance – see also accounting policy 1.3 on page 60.

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the constant period rate of return on the net investment in the loan which is akin to an effective interest rate method (EIR). The EIR is the rate that exactly discounts the expected future cash flows of the loan back to present value being the amount advanced to the customer. Under IFRS16 credit charge income should be recognised using the constant periodic rate of return which requires management to make judgements relating to the inclusion of directly attributable costs and fees and the cash flows related thereto.

Changes to revenue recognition in 2020

In preparing the 2020 financial statements, the group has changed how they account for revenue in relation to revenue recognition for lease agreements within Advantage Finance (motor finance), which are classified as credit impaired (i.e. stage 3 assets under IFRS 9). In 2019, the group recognised revenue on credit impaired receivables 'gross' of the impairment provision and impaired this additional revenue through the impairment charge resulting in a gross-up in the income statement. On reviewing its accounting policies in preparing the 2020 financial statements, the group has determined that revenue should be recognised '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 Bridging.

The group has concluded that the change in accounting on the 2019 financial statements represents a material change and accordingly has restated the 2019 income statement balances in the 2020 financial statements. The restatement results in a reduction in Advantage's revenue and impairment in 2019 of £6.3m with no impact on profit before tax, earnings per share, retained earnings or the balance sheet.

In assessing the appropriateness

of revenue recognition the Audit Committee considers:

a) The work performed by management and by Deloitte as part of their external audit, including their challenge of the assumptions used by management; and
b) The findings in light of current trading experience and expected future trading experience.

As our Property Bridging Finance business is currently less material there were no issues and areas of judgement considered significant by the Committee in relation to Aspen Bridging.

External Audit

The Committee formally reviews the effectiveness of the external auditors, Deloitte LLP, and the Group's relationship with them. The review consists of a list of relevant questions, which it discusses with the Group Finance Director, before discussing them with external auditors.

As a result the Committee concluded that the external audit process remained effective this year. Although Deloitte LLP have been Group Auditors since 2000, the lead Audit Partner was changed three years ago on the usual five-year rotational basis. Before recommending Deloitte's reappointment, the Audit Committee reviewed both the quality of service they provided and their continuing independence. They examined Deloitte's transparency report which demonstrates how audit quality is maintained in line with the "Audit Quality Framework" issued by the professional oversight board of the Financial Reporting Council. They also reviewed Deloitte's understanding of S&U plc's business, their access to appropriate specialists, and their understanding of the financial sector in which the Group operates. The Audit Committee then concluded that it was in the interests of the Group that Deloitte's continued as external auditors and have therefore recommended to the Board Deloitte's reappointment at the forthcoming Annual General Meeting.

S&U plc is not required to put its Audit arrangements out to tender until January 2024. Nevertheless both the Audit Committee and Deloitte have put in place safeguards to ensure that the independence and objectivity of the external auditor is maintained including governing the external auditors' engagement for non-audit services. In line with rules for public interest entities the provision of tax compliance services was placed with KPMG with effect from 1 February 2017 and we also now use KPMG for guidance on directors remuneration and reporting matters. Fees paid to the external auditor are shown in note 6 to the accounts. Overall the fees paid to the external auditor for non-audit services were £24,000 (2019: £23,000) and this was for the half year review of interim results.

In accordance with this policy the Audit Committee ensured no external service provided by the auditors involved it in management of functions or decision making or in influencing managements view on the adequacy of internal controls or financial reporting. If it were to be material to the Group, any Corporate Finance or other advice that Deloitte provided during the year would be reviewed by the Audit Committee to ensure that they did not compromise the auditing function of Deloitte in any way.

Internal Audit

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

The Committee considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Demetrios Markou
Chairman of the Audit Committee

7 April 2020

B3.2 CORPORATE GOVERNANCE

2018 saw the revision by the FRC (Financial Reporting Council) of the UK Corporate Governance Code, together with the issue of an accompanying Guidance on Board Effectiveness. These update the Provisions of the Code and the way in which they should be applied in supporting the code's Principles.

Narrative Statement

The way in which we comply with the Code's Provisions, or explain where we do not is described below in the five areas of "Board Leadership and Company Purpose, Divisions of Responsibilities, Composition, succession and evaluation, Audit risk and internal control and Remuneration." In addition, our Chairman's Statement provides guidance as to how we interpret the revised codes more flexible approach in giving clear reasons for any non-compliance within the provisions. The rationale for this includes a "Company's particular circumstances based on a range of factors, including the size, complexity, history and ownership structure."

In S&U's case this is always meant an identity of interest between controlling shareholders and the executive management of the Company. The requirement of the Code of Principles for Board's to "promote the long-term sustainability or success of the Company, generating value for shareholders and contributing to wider society" is sustained by this and by our consistent mantra of "steady, sustainable growth." Family investment and management has over the past 80 years been reflected in ambition for growth and for new markets buttressed by a conservative approach to risk, to treasury activities and to return on capital employed. The same culture is seen in "work force engagements" through employment stability, good communications and a streamlined, non bureaucratic, management structure, as a staple of S&U well before the Governance Code even existed.

This has inevitably meant some departure from the detailed Provisions of the Code which primarily focusses on larger companies, a more formal approach to employee relations, a shorter history to establish a proven responsible culture, and a divorce between equity and management. We have carefully explained the reasons for any departures and will hopefully, as the revised code requires, now see these considered by investors and their representatives "thoughtfully" and not evaluated in "a mechanistic way".

Leadership

During the year the Company was controlled through the Board of Directors which at 31 January 2020 comprised four executive and four non-executive directors. The Chairman is responsible for the running of the Board. He has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. He is also responsible for co-ordinating the Company's business and implementing Group strategy. The Chairman and Deputy Chairman are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media.

Under Provision 9 of the Code it is recommended that the Chairman should be independent on appointment and should not have previously served as Chief Executive of the Company. Mr. Anthony Coombs was appointed Chairman in 2008 as part of an established succession plan reflecting the Coombs family's majority holding in S&U, the identity of interest between management and shareholders and the consequence success of the Company. As explained above this has been (and is perceived by the investing community) as a significant strength in the responsible, long-term strategic approach to S&U's development.

Mr. Coombs now serves as Executive Chairman and his responsibilities as Managing Director have been transferred to the Chief Executive of Advantage Finance and the Managing Director of Aspen Bridging.

The Board has a formal schedule of matters reserved to it and meets at least four times a year with monthly circulation of papers. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the business. This includes its code of conduct, its annual budgets, its progress towards achievement of those budgets and its capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each Committee operates within defined terms of reference. Advantage Finance is managed by separate boards of directors. The minutes of their meetings and of the standing Committees will be circulated to and reviewed by the Board of Directors. Terms of reference for the Committees are available from S&U plc head office and on our website www.suplc.co.uk.

Mr D Markou has served as a non-executive director on the Board for over 9 years. Notwithstanding this length of service, the Board considers him to be independent due to his robust judgement and character and the invaluable balance and experience he has brought to the Board's deliberations. This experience as a Chartered Accountant is particularly important during the recent company transition from IAS39 to IFRS9 and IFRS16 and as the company consolidates its recent growth.

Graham Pedersen was appointed to the Board in February 2015 and brings a wealth of experience to the S&U Board both as a regulator and a banker. In March 2016, Tarek Khlat, a Banker, FCA Approved Person and Wealth Manager of great experience and expertise was appointed to the Board.

Mr Fiann Coombs is not considered to be independent by virtue of his close association with family shareholders, and therefore does not sit on Board Committees. The Nominations Committee, chaired by Mr. G Pedersen, comprises the independent non-executive directors and Mr. A.M.V.

B3 GOVERNANCE
CONTINUED

Coombs, Group Chairman. Audit and Remuneration Committees are made up of the three independent non-executive directors and chaired by Mr. D. Markou and Mr T. Khlat respectively.

Effectiveness

Our executive directors are appraised annually by the Chairman, the Deputy Chairman and the independent non-executives. The Chairman and the Deputy Chairman are appraised annually by the independent non-executives. The results of these appraisals are considered by the Remuneration Committee for the determination of their remuneration recommendations. During the year there was no external evaluation of the Board but the performance of the Board and each of the Board Committees was reviewed by the Board with regard to the performance and achievements during the year. The performance of the Board and all 3 committees was self-assessed by the Board to be effective.

Our non-executive directors receive full updates on Company progress and relevant issues and bring their experience and sound judgement to bear on matters arising. The Chairman considers the effectiveness of each non-executive director annually.

Directors have both the time and experience to fulfil their responsibilities and none sit on other PLC boards. The Nomination Committee advises the Board on refreshment and succession planning, whilst independent recruitment consultants are used for important executive roles. During the past year the Nomination Committee played a significant role in the recruitment of the successor for Guy Thompson, the retiring CEO of Advantage Finance and the appointment of the skilled and experienced Graham Wheeler to this role is very welcome. The recruitment exercise also served as a helpful exercise to establish the comparatively rare availability of other external executive and non-executive senior directors with relevant and specific non-prime motor finance skills and experience. Mindful of this and its corporate governance responsibilities, the Nomination Committee will continue to monitor this in its succession planning and when considering any future appointments to the Board. Whilst the Board notes the Code's focus on diversity, both Board and executive appointments are made purely on the basis of ability and temperament. irrespective of race, gender or sexual orientation.

Messrs AMV Coombs, GDC Coombs, CH Redford, JG Thompson, G Pedersen, F Coombs, T Khlat and D Markou being eligible offer themselves for re-election at the next Annual General Meeting. Mr T Khlat, Mr G Pedersen, Mr F Coombs and Mr D Markou are non-executive directors and the Chairman has determined their performance to be both effective and committed.

The Company Secretary Mr CH Redford is available to provide advice and services to all Board members and is responsible for ensuring Board procedures are followed. All directors are also able to take independent advice in furtherance of their duties if necessary.

Accountability

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Chairman's Report. The Board uses this, together with the Strategic Report within pages 11 to 14, to present a balanced and understandable assessment of the Company's position and prospects. The Directors' responsibilities in respect of the financial statements are described on page 44 and those of the auditor on page 51.

Internal Control

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's internal control systems are reviewed regularly by management and by our independent internal auditors RSM with the aim of continuous improvement. Whilst the Board acknowledges its overall responsibility for internal control, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place for the year under review and up to the date of approval of the report and financial statements. The process is regularly reviewed by the Board including a review during the reporting period and accords with the revised guidance in the UK Corporate Governance Code. During the year, our major operating subsidiary Advantage Finance Limited appointed Alan Tuplin as its Chief Risk Officer and this experienced appointment will further help the management of key risk areas going forward.

The Board intends to keep its risk control procedures under constant review, particularly as regards the need to embed internal control and risk management procedures further into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the executive directors, supported by the managers with responsibility for operating units and the central support functions of finance, information systems and human resources.

The executive directors are involved in the budget setting process, constantly monitor key statistics and review management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole.

The executive directors receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the operational units and reinforced by risk awareness training. The executive directors also receive regular reports from the credit control and health and safety functions, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements.

Relationship with Auditor

The Audit Committee has specific terms of reference which deal with its authority and duties. It meets at least twice a year with the external auditor attending by invitation and RSM as a regular attendee in order that the Committee can review the external and internal audit process and results. The Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures, accounting policies and financial reporting and provides a forum through which the Group's external auditor reports to the non-executive directors. The Committee assists the Board in discharging its duties to ensure the financial statements meet legal requirements, and also reviews the independence of the external auditor. This is assessed through examination of the nature and value of non-audit services performed during the year. The value of non-audit services is disclosed on page 66 and all non-audit service requirements are considered by the Group before an appointment is made. The non-audit services provided were audits related assurance. The objectivity and independence of the auditor has been safeguarded by all work being completed by partners and staff who, whilst having specialist knowledge of the sector, have no involvement in the audit of the financial statements, other than for audit related assurance Services.

Equality and Diversity

The Group is committed to ensuring that existing members of staff, job applicants, or workers are treated fairly in an environment which is free from any form of discrimination. The Group will always wish to ensure appointments reflect the best skills available for the role. Currently 11 women hold 31% of senior management positions and women hold 65% of other employee positions and during the year no female directors served on the Board. Currently 25 men hold 69% of senior management positions and men hold 35% of other employee positions and during the year 8 male directors served on the Board.

Board and Committee attendance

The attendance of individual directors at the regular meetings of the Board and its Committees during the year ended 31 January 2020 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	**4**	**1**	**2**	**3**
AMV Coombs	4	1	n/a	n/a
GDC Coombs	4	n/a	n/a	n/a
D Markou	4	1	2	3
G Pedersen	4	1	2	3
F Coombs	4	n/a	n/a	n/a
JG Thompson	4	n/a	n/a	n/a
T Khlat	4	n/a	2	3
CH Redford	4	n/a	n/a	n/a

Remuneration

The Remuneration Committee has specific terms of reference which deal with its authority and duties and these, together with details of how the Company has complied with the Remuneration provisions of the UK Corporate Governance Code, are detailed in the Directors Remuneration Report on page 26.

Relations with Stakeholders

The Company continues to communicate with both institutional and private investors and responds quickly to all queries received verbally or in writing. All shareholders have at least twenty working days' notice of the Annual General Meeting at which all directors are introduced and are available for questions.

The Board is aware of the importance of maintaining close relations with investors and analysts for the Group's market rating. Positive steps have been taken in recent years to enhance these relationships. Twice yearly road shows are conducted by the Chairman and senior directors when the performance and future strategy of the company is discussed with larger shareholders. Queries from all shareholders are dealt with personally by the Chairman.

Members of the Board meet frequently with shareholders and conduct regular roadshows throughout the UK to present to current and future investors. Shareholder and Investor relations are managed by CAG, a specialist consultancy who issue regular reports on these activities.

Mutual commitment and loyalty between Company and its employees has under-pinned S&U's 80-year history. Both its size, with 160 employees at Grimsby and 20 in Solihull and its family ethos ensure that the "employee voice" is heard and heeded. Regular appraisals and feedback meetings are held and internal promotion is encouraged. As a result, staff retention rates are very high. Whistle-blower Policies are in place at Advantage.

The size, history and culture of the company encourage participation of all directors and senior management and employee relations and make designated board members or workforce committees unnecessary.

B3.3 COMPLIANCE STATEMENT

Throughout the year ended 31 January 2020 the company has discharged and met its responsibilities under the Principles and Provisions of the 2018 UK Corporate Governance Code and under the guidance attached to it. Where it has not followed provision 9 of the code with its appointment of the Chairman in 2008, "a clear rationale for the action" is also set out above.

Graham Pedersen
Chairman of the Nominations Committee

7 April 2020

B4 DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2020 and for the period up to the date of signing these accounts on 7 April 2020.

The names of 7 of the directors who served during the year and up to the date of signing the accounts are shown in the directors' biographies on page 25. Guy Thompson also served during the year and retired from the Board on 10th February 2020 as part of his planned retirement process. All directors served for the full year to 31 January 2020.

No political donations were made during the year (2019: £nil).

Dividends

Dividends of £14,461,000 (2019: £13,080,000) were paid during the year.

After the year end a second interim dividend for the financial year of 36.0p per ordinary share (2019: 35.0p) was paid to shareholders on 13 March 2020.

The directors now recommend a final dividend, subject to shareholders approval of 50.0p per share (2019: 51.0p). This, together with the interim dividends of 70.0p per share (2019: 67.0p) already paid, makes a total dividend for the year of 120.0p per share (2019: 118.0p).

Substantial Shareholdings

At 6 April 2020, the Company had been notified of the following interests of 3% or more in its issued ordinary share capital (excluding those of the directors disclosed above):

Shareholder	No. of ordinary shares	% of Ordinary share capital
Jennifer Coombs	1,855,698	15.4%
Wiseheights Limited	2,420,000	20.2%

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued shared capital during the year are shown in note 19. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. The cumulative preference shares carry 6% interest but do not carry voting rights.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Employees and Fostering Business Relationships

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

Auditor

Each of the persons who is a director at the date of approval of the annual report confirms that; so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Changes in Accounting Policies

There were no significant changes in accounting policies this year although the Company did make a change in its revenue recognition for lease agreements within motor finance. This did not affect profit or net assets and further details of this are given in accounting policy note 1.3.

Post Balance Sheet Events

As reported in note 16, the Company as planned has recently extended the maturity on its evergreen £60m revolving credit facility from March 22 to March 23 and has also replaced the £25m loan facility maturing in March 21 with a £20m facility maturing in March 25. After the yearend, the onset of the Covid-19 virus and the speculation and restrictions surrounding it pose challenges for consumers in the UK. This has been considered in the going concern, viability and estimation uncertainty forward looking disclosures in the strategic report above. S&U has strategies in place and the skills, resilience and experience to meet those challenges. But they are unprecedented and the full effect on the economy is unknown – fully reliable estimates of both scale and timing do not exist.

Directors

Under article 154 of the Company's articles of association, the Company has qualifying third party indemnity provisions for the benefit of its directors and those of subsidiary company directors which remain in force at the date of this report.

Information Presented In Other Sections

Certain information required to be included in the Director's report can be found in other sections of the Annual Report and Accounts as described below. All the information presented in these sections is incorporated by reference into this Director's report and is deemed to form part of this report.

- The Group's principal risks and uncertainties are set out in section A2.4 in the Strategic Report.
- Information concerning director's contractual arrangements and entitlements under share-based remuneration arrangements is given in section B2 in the Directors' remuneration report.
- Information surrounding future developments is given in the Strategic Report.
- Disclosures concerning greenhouse gas emissions are given in Section A4.4 in the Strategic Report.
- Statements of viability and going concern are set out in section A3 in the Strategic Report.
- Information about the Group's use of financial instruments is given in the note to the accounts 21.
- Key performance indicators are reported within Strategic Report including the Business Review in section A2.2. The indicators include alternative performance measures, the definitions for which are set out in the note to the accounts 1.13.

The Board confirms that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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

Chris Redford
Company Secretary

7 April 2020

B5 DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts 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
- assess 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

By order of the Board

Anthony Coombs
Chairman

7 April 2020

Chris Redford
Group Finance Director

7 April 2020

C INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF S&U PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of S&U plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the group income statement;
- the group and parent company statement of comprehensive income;
- the group and parent company balance sheets;
- the group and parent company statements of changes in equity;
- the group and parent company cash flow statements; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

C INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF S&U PLC CONTINUED

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Loan loss provisioning • Revenue recognition under IFRS 16 Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1.8m which was determined on the basis of 5% of profit before tax ("PBT").
Scoping	The group comprises of the parent company of S&U Plc ("S&U"), the main trading entity Advantage Finance Limited ("Advantage") and Aspen Bridging Limited ("Aspen"). We focused our group audit scope on the audit work at two locations; Solihull and Grimsby, both of which were subject to a full audit. These locations account for 100% of the group's net assets, 100% of the group's revenue and 100% of the group's PBT.
Significant changes in our approach	There have been no significant changes in our audit approach.

4. Conclusions relating to going concern, principal risks and viability statement

4.1 Going concern

We have reviewed the directors' statement on page 15 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the group, its business model and related risks including where relevant the impact of the Covid-19 pandemic and Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2 Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 13 and 14 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 15 that they have carried out a robust assessment of the principal and emerging risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 15 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Loan loss provisioning

Key audit matter description	The group holds loan loss provisions of £63.4m (2019: £57.8m) in accordance with IFRS 9 against amounts receivable from motor finance customers of £344.1m (2019: £316.7m). The restatement in the previous year relates to the change in accounting for revenue in relation to revenue recognition for lease agreements within Advantage Finance, which are classified as credit impaired (i.e. stage 3 assets under IFRS 9). See the revenue key audit matter for further details. The assessment of the loan loss provision against amounts receivable from customers is complex and requires management to make significant judgements concerning Probability of Defaults ("PD's"), Loss Given Defaults ("LGD's") and a requirement of any post-model overlays to be applied to the modelled provision, including those related to the macroeconomic environment. We determined a key audit matter in relation to two areas. The first identified was the completeness and accuracy of post-model overlays made by management to reflect instances where the historical data used to generate PD's and LGD's is not expected to reflect the prospective customer patterns. The second was in respect of the appropriateness of time period of the data set used to calculate PD's and LGD's. Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance. Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.4, with note 14 quantifying the loan loss provision at year end. This area of significant judgement is also discussed by the Audit Committee as detailed in the Committee's report on page 37.
How the scope of our audit responded to the key audit matter	We first understood management's process and relevant controls around loan loss provisioning through discussions and walkthroughs, and then evaluated the design and implementation of the relevant controls. In conjunction with our internal IT specialists we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the provision. We challenged the completeness and appropriateness of identified management overlays, through our understanding of the Group's loan book and the external environment and by reference to supporting calculations and industry updates. We challenged management's consideration of the future economic environment within the macroeconomic scenarios, including the effect of the withdrawal of the United Kingdom from the European Union by comparing modelled assumptions to publicly available data from the Office of National Statistics and comparable peer data. We challenged the time period of the data set used to calculate PD's and LGD's, including testing the underlying data back to source. Furthermore we held discussions with management to understand any changes identified during the year to the level of customers entering default and the level of subsequent cash collections. We also challenged management's consideration of events or conditions arising from the impact of Covid-19. We challenged the appropriateness of other key assumptions and management judgements such as Exposure at Default ("EAD") and the determination of staging criteria. We also tested the mechanical accuracy of the model which is used to determine the provision and verified the accuracy and completeness of inputs used by tracing a sample of model inputs to underlying source data.
Key observations	Based on the evidence obtained, we found that the assumptions underpinning the loan loss provisioning model, including management overlays, were determined and applied appropriately and the recognised provision was appropriately stated.

5.2 Revenue recognition under IFRS 16

Key audit matter description	The group recorded revenue of £89.9m (2019: £83.0m) in accordance with IFRS 16. Recognising income under IFRS 16 on loans using a constant periodic rate of return on the net investment of the lease (akin to effective interest rate "EIR" under IFRS 9) is a complex area. It requires management to make significant judgements relating to the inclusion of directly attributable costs/fees and the cash flows related thereto, with accounting entries generated using complex spreadsheet models. We determined a key audit matter in relation to the completeness of all directly attributable costs/fees in determining the implicit interest rate of each customer agreement under IFRS 16. Given the degree of judgement involved in relation to fees directly attributable to each customer agreement we identified that there is a potential for fraud through possible manipulation of this balance. On reviewing its accounting policies in preparing the 2020 financial statements, the group has determined that revenue should be recognised 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9 rather than 'gross' of the impairment provision. The group has changed the respective accounting and the 2019 comparative information in the financial statements was restated in line with the requirements of IAS 8, which resulted in a £6.3m decrease in 2019 revenue and cost of sales (with no impact on profit). Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in revenue recognition are outlined in note 1.3, with note 3 quantifying the revenue recognition at year end. This area of significant judgement is also discussed by the Audit Committee as detailed in the Committee's report on page 37.
How the scope of our audit responded to the key audit matter	We first understood management's process and relevant controls around recognition of interest income through discussions and walkthroughs, and then evaluated the design and implementation of the relevant controls. In conjunction with our internal IT specialists we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine revenue. We reviewed the ongoing treatment of fees and charges arising on receivables from customers and the appropriateness of their inclusion or exclusion in the determination of the implicit interest rate. We challenged the level of directly attributable costs being deferred through management's model by reviewing policy documentation between the entity and the broker network to independently determine the level of commission expected to be deferred. In addition, we assessed the appropriateness of directly attributable costs through benchmarking these to peers where appropriate. We challenged the appropriateness of other key inputs and assumptions such as the use of contractual life in spreading expected future cash flows. We also tested the mechanical accuracy of the model which is used to determine revenue and verified the accuracy and completeness of inputs used by tracing a sample of model inputs to underlying source data, as well as recalculating the implicit interest rate for a sample of loans. We assessed the revised accounting for revenue recognition for compliance with IFRS16 and IFRS 9. We substantively tested the calculations of the impact on the 2020 and 2019 financial statements.
Key observations	The results of our testing were satisfactory and the underlying methodology used for the calculation of the adjustment is considered appropriate in the context of the accounting policies and the requirements of the relevant accounting standards. The revised accounting for revenue was found to be appropriate. The disclosures of the change in accounting and the restatement are in line with the requirements of IAS 8.

C INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF S&U PLC CONTINUED

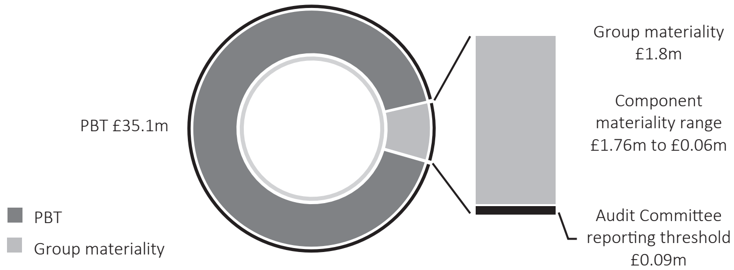
6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.8m (2019: £1.7m)	£1.1m (2019: £1.0m)
Basis for determining materiality	5% (2019: 5%) of PBT.	Parent company materiality equates to 1% (2019: 3%) of equity, which is capped at 60% (2019: 60%) of group materiality.
Rationale for the benchmark applied	We determined materiality using profit before tax as we considered this to be the most appropriate measure to assess the performance of the group.	Equity is used as the basis for materiality because the parent company is a non-trading entity, as such we consider equity to reflect its holding activities.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the quality of the control environment and whether we were able to rely on controls, as well as the level of audit adjustments identified in the prior period.

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.09m (2019: £0.09m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The group comprises the parent company S&U and two trading entities, Advantage and Aspen.

We focused our group audit scope on the audit work at two locations; Solihull and Grimsby, both of which were subject to a full audit. These locations account for 100% of the group's net assets (2019: 100%), 100% of the group's revenue (2019: 100%) and 100% of the group's PBT (2019: 100%).

We have performed testing over the consolidation of Group entities. These audits were performed directly by the Group audit team and executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.06m to £1.76m (2019: £0.04m to £1.68m).

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

C INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF S&U PLC CONTINUED

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management , internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: loan loss provisioning and revenue recognition under IFRS 16. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the relevant provisions of the UK Companies Act 2006, Listing Rules and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning and revenue recognition under IFRS 16 as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Other matters

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 16 June 1998 to audit the financial statements for the year ending 31 January 1999 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 22 years, covering the years ending 31 January 1999 to 31 January 2020.

14.2 Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kieren Cooper FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

7 April 2020

THE ACCOUNTS

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D1 THE ACCOUNTS
D1.1 GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2020

From continuing operations	Notes	**2020 £000**	2019 £000 restated
Revenue	3	**89,939**	82,970
Cost of sales	4	**(37,092)**	(32,692)
Gross profit		**52,847**	50,278
Administrative expenses		**(12,863)**	(11,177)
Operating profit	6	**39,984**	39,101
Finance costs (net)	7	**(4,850)**	(4,541)
Profit before taxation	2	**35,134**	34,560
Taxation	9	**(6,252)**	(6,571)
Profit for the year attributable to equity holders		**28,882**	27,989
Earnings per share			
Basic	11	**239.6p**	233.2p
Diluted	11	**239.4p**	232.0p

2019 comparatives have been restated for a change in recognition of revenue on credit impaired receivables in Motor Finance which has resulted in a reduction of revenue and cost of sales but has had no impact on profit. See note 1.3.

STATEMENT OF COMPREHENSIVE INCOME

	Note	**Group 2020 £000**	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Profit for the year attributable to equity holders		**28,882**	27,989	**12,509**	10,547
Actuarial loss on defined benefit pension scheme	26	**(14)**	(15)	**(14)**	(15)
Total Comprehensive Income for the year		**28,868**	27,974	**12,495**	10,532

Items above will not be reclassified subsequently to the Income Statement.

D1.2 BALANCE SHEET

AS AT 31 JANUARY 2020

COMPANY REGISTRATION NO: 0342025

	Notes	**Group 2020 £000**	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**2,108**	2,296	**344**	422
Investments	13	**–**	–	**533**	533
Amounts receivable from customers	14	**195,604**	182,689	**–**	–
Trade and other receivables	15	**–**	–	**160,000**	135,000
Deferred tax assets	18	**94**	398	**34**	31
		197,806	185,383	**160,911**	135,986
Current assets					
Amounts receivable from customers	14	**106,146**	94,374	**–**	–
Trade and other receivables	15	**1,473**	1,055	**30,662**	47,800
Cash and cash equivalents		**656**	1	**801**	1
		108,275	95,430	**31,463**	47,801
Total assets		**306,081**	280,813	**192,374**	183,787
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	16	**–**	(38)	**–**	(7)
Trade and other payables	17	**(3,126)**	(2,139)	**(173)**	(114)
Current tax liabilities		**(3,697)**	(3,995)	**(157)**	(219)
Accruals and deferred income		**(601)**	(550)	**(158)**	(145)
		(7,424)	(6,722)	**(488)**	(485)
Non-current liabilities					
Borrowings	16	**(118,500)**	(108,000)	**(118,500)**	(108,000)
Lease liabilities		**(233)**	(274)	**(200)**	(230)
Financial liabilities	20	**(450)**	(450)	**(450)**	(450)
		(119,183)	(108,724)	**(119,150)**	(108,680)
Total liabilities		**(126,607)**	(115,446)	**(119,638)**	(109,165)
NET ASSETS		**179,474**	165,367	**72,736**	74,622
Equity					
Called up share capital	19	**1,715**	1,701	**1,715**	1,701
Share premium account		**2,301**	2,301	**2,301**	2,301
Profit and loss account		**175,458**	161,365	**68,720**	70,620
Total equity		**179,474**	165,367	**72,736**	74,622

The parent company's profit for the financial year after taxation amounted to £12,508,000 (2019: £10,547,000)

These financial statements were approved by the Board of Directors on 7 April 2020.

Signed on behalf of the Board of Directors

AMV Coombs
Chairman

C Redford
Group Finance Director

D1.3 STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2020

Group	Notes	**Called up share capital £000**	**Share premium account £000**	**Profit and loss account £000**	**Total equity £000**
At 1 February 2018		1,699	2,289	148,828	152,816
Profit for year		–	–	27,989	27,989
Other comprehensive income for year		–	–	(15)	(15)
Total comprehensive income for year		–	–	27,974	27,974
Issue of new shares in year		2	12	–	14
Cost of future share-based payments		–	–	203	203
IFRS9 receivables adjustment		–	–	(3,050)	(3,050)
Tax credit on equity items		–	–	490	490
Dividends		–	–	(13,080)	(13,080)
At 31 January 2019		1,701	2,301	161,365	165,367
Profit for year		–	–	28,882	28,882
Other comprehensive income for year		–	–	(14)	(14)
Total comprehensive income for year		–	–	28,868	28,868
Issue of new shares in year	19	14	–	–	14
Cost of future share-based payments	25	–	–	99	99
Tax charge on equity items	18	–	–	(413)	(413)
Dividends	10	–	–	(14,461)	(14,461)
At 31 January 2020		1,715	2,301	175,458	179,474

Company	Notes	**Called up share capital £000**	**Share premium account £000**	**Profit and loss account £000**	**Total equity £000**
At 1 February 2018		1,699	2,289	73,118	77,106
Profit for year		–	–	10,547	10,547
Other comprehensive income for year		–	–	(15)	(15)
Total comprehensive income for year		–	–	10,532	10,532
Issue of new shares in year		2	12	–	14
Cost of future share-based payments		–	–	82	82
Tax charge on equity items		–	–	(32)	(32)
Dividends		–	–	(13,080)	(13,080)
At 31 January 2019		1,701	2,301	70,620	74,622
Profit for year	8	–	–	12,508	12,508
Other comprehensive income for year		–	–	(14)	(14)
Total comprehensive income for year		–	–	12,494	12,494
Issue of new shares in year		14	–	–	14
Cost of future share-based payments		–	–	79	79
Tax charge on equity items		–	–	(12)	(12)
Dividends		–	–	(14,461)	(14,461)
At 31 January 2020		1,715	2,301	68,720	72,736

D1.4 CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2020

	Note	**Group 2020 £000**	Group 2019 £000	**Company 2020 £000**	Company 2019 £000
Net cash generated from operating activities	22	**4,946**	10,530	**4,802**	8,808
Cash flows used in investing activities					
Proceeds on disposal of property, plant and equipment		**40**	45	**–**	–
Purchases of property, plant and equipment		**(305)**	(830)	**(18)**	(386)
Net cash used in investing activities		**(265)**	(785)	**(18)**	(386)
Cash flows (used in)/from financing activities					
Dividends paid		**(14,461)**	(13,080)	**(14,461)**	(13,080)
Issue of new shares		**14**	14	**14**	14
Receipt of new borrowings		**10,459**	4,274	**10,470**	4,230
Repayment of borrowings		**–**	–	**–**	–
Net (decrease)/increase in overdraft		**(38)**	(953)	**(7)**	7
Net cash used in financing activities		**(4,026)**	(9,745)	**(3,984)**	(8,829)
Net increase/(decrease) in cash and cash equivalents		**655**	–	**800**	(407)
Cash and cash equivalents at the beginning of year		**1**	1	**1**	408
Cash and cash equivalents at the end of year		**656**	1	**801**	1
Cash and cash equivalents comprise					
Cash and cash in bank		**656**	1	**801**	1

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2019: £nil).

D2 NOTES TO THE ACCOUNTS

YEAR ENDED 31 JANUARY 2020

1. ACCOUNTING POLICIES

1.1 General Information

S&U plc is a Company incorporated in England and Wales under the Companies Act and is a public company limited by shares. The address of the registered office is given on page 85 which is also the Group's principal business address. All operations are situated in the United Kingdom.

1.2 Basis of preparation

As a listed Company we are required to prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. We have also prepared our S&U plc Company financial statements in accordance with IFRS endorsed by the European Union. 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 2020. As discussed in the strategic report, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In arriving at this reasonable expectation, the directors have considered the current situation in respect of Covid-19 and, in particular, the potential for increased customer repayment difficulties and temporary challenges with asset recovery and realisation at potentially lower residual values as well as operational challenges. Increased repayment difficulties relate to potentially worse customer employment and/or health situations, potentially mitigated by government support and movement restrictions which lower customer outgoings, as well as being potentially mitigated by the forbearance and experience of our skilled staff. Asset recovery and realisation challenges relate mainly to government movement restrictions. Operational challenges relate to the need to mobilise and support staff working from home, which has already been significantly mitigated by staff support and technology. The directors concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

There are no new standards which have been adopted by the group this year which have a material impact on the financial statements of the Group. This follows the adoption of IFRS9 and IFRS16 in our accounts last year.

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.

1.3 Revenue recognition

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the constant periodic rate of return on the net investment in the loans, which is akin to an effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Under IFRS16, credit charge income should be recognised using the EIR. Acceptance fees charged to customers and any direct transaction cost are included in the calculation of the EIR.

Changes to revenue recognition in 2020

In preparing the 2020 financial statements, the group has changed how they account for revenue in relation to revenue recognition for lease agreements within Advantage Finance, which are classified as credit impaired (i.e. stage 3 assets under IFRS 9). In 2019, the group recognised revenue on credit impaired receivables 'gross' of the impairment provision and impaired this additional revenue through the impairment charge resulting in a gross-up in the income statement. On reviewing its accounting policies in preparing the 2020 financial statements, the group has determined that revenue should be recognised '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.

The group has concluded that the change in accounting on the 2019 financial statements represents a material change and accordingly has restated the 2019 income statement balances in the 2020 financial statements. The restatement results in a reduction in Advantage's revenue and impairment in 2019 of £6.3m with no impact on profit before tax, earnings per share, retained earnings or the balance sheet.

1.4 Impairment and measurement of amounts receivable from customers

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

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of credit impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. Under IFRS 9 for all stage 1 accounts which are not credit impaired, a further collective provision for expected credit losses in the next 12 months is calculated and charged to the income statement.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default (PD) and information regarding the likely eventual loss including recoveries (LGD). These assumptions and assumptions for estimating future cash flows are based upon observed historical data and updated to reflect current and future conditions. As required under IFRS9, all assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

There are 3 classification stages under IFRS9 for the impairment of amounts receivable from customers:

Stage 1: Not credit impaired and no significant increase in credit risk since initial recognition

Stage 2: Not credit impaired and a significant increase in credit risk since initial recognition

Stage 3: Credit impaired

For all loans in stages 2 and 3 a provision equal to the lifetime expected credit loss is taken In addition and in accordance with the provisions of IFRS9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book. 12-month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

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. 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 using forward looking external data regarding forecast future levels of employment, interest rates and used car values which may affect the customers' future propensity to repay their loan. The macroeconomic overlay assessments for 31 January 2020 and 31 January 2019 reflect that further to considering such external macroeconomic forecast data and current uncertainties around Brexit, management have judged that there is currently a more heightened risk of an economic downturn. To factor in such uncertainties, management has included an overlay on the PD and LGD for certain groups of Stage 1 assets to reflect this macroeconomic outlook.

There were no significant changes to estimation techniques applied to the calculations used at 31 January 2020 and those used at 31 January 2019.

1. ACCOUNTING POLICIES (CONTINUED)

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

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 defaulting 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 or repaid and falls into default 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.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. 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
Computers	20% per annum straight line
Fixtures and Fittings	10% per annum straight line or 20% per annum reducing balance
Motor Vehicles	25% per annum reducing balance

Freehold Land is not depreciated.

1.6 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively 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.

1.7 Preference shares

The issued 31.5% preference share capital is carried in the balance sheet at amortised cost and shown as a financial liability. The issued 6% preference share capital is valued at par and shown as called up share capital.

1.8 Pensions

The Group contributes as required to a defined benefit pension scheme. The defined benefit pension asset at the balance sheet date is calculated as the fair value of the plan assets less the present value of the defined benefit obligation. Actuarial gains and losses are recognised immediately in the financial statements.

The Group also operates several defined contribution pension schemes and the pension charge represents the amount payable by the Company for the financial year.

1.9 Share-based payments

The Company issues share options under the S&U plc 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.

1.10 Investments

Investments in subsidiaries held as non-current assets are stated at cost less provision for any impairment.

1.11 Financial Instruments

The Group and the Company's principal financial instruments are amounts receivable from customers, cash, preference share capital, bank overdrafts and bank loans and these are all stated at amortised cost less provision for any impairment.

1.12 Critical accounting judgements and key sources of estimation uncertainty

There are no critical accounting judgements which the directors have made in the process of applying the Group's accounting policies.

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

1.13 Performance Measurements

i) Risk adjusted yield as % of average monthly receivables is the gross yield for the period (revenue minus impairment) divided by the average amounts receivable from customers for the period.

ii) Rolling 12-month impairment to revenue % is the impairment charged in the income statement during the 12 months prior to the reporting date divided by the revenue for the same 12-month period. Historic comparisons using this measure were affected by the adoption of new accounting standards IFRS9 and IFRS16 and risk adjusted yield is considered a more historically comparable guide to receivables performance.

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

iv) Dividend cover is the basic earnings per ordinary share declared for the financial year dividend by the dividend per ordinary share declared for the same financial year.

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

vi) Group collections are the total monthly collections, 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. 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 31.1.20 £000**	Year ended 31.1.19 £000 restated	**Year ended 31.1.20 £000**	Year ended 31.1.19 £000
Motor finance	**85,465**	80,127	**34,027**	33,640
Property bridging finance	**4,474**	2,843	**1,205**	838
Central costs net of central finance income	**–**	–	**(98)**	82
	89,939	82,970	**35,134**	34,560

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

	Assets		Liabilities	
Class of business	**Year ended 31.1.20 £000**	Year ended 31.1.19 £000	**Year ended 31.1.20 £000**	Year ended 31.1.19 £000
Motor finance	**283,776**	261,964	**(178,836)**	(172,039)
Property bridging finance	**21,204**	18,358	**(19,791)**	(17,961)
Central	**1,101**	491	**78,989**	74,554
	306,081	280,813	**(119,638)**	(115,446)

Depreciation of assets for motor finance was £337,000 (2019: £312,000), for property bridging finance was £17,000 (2019: £14,000) and for central was £96,000 (2019: £88,000). Fixed asset additions for motor finance were £278,000 (2019: £418,000), for property bridging finance were £9,000 (2019: £26,000) and for central were £18,000 (2019: £386,000).

The net finance credit for central costs was £2,607,000 (2019: £2,537,000), for motor finance was a cost of £6,597,000 (2019: £6,539,000) and for property bridging finance was a cost of £861,000 (2019: £539,000). The tax credit for central costs was £7,000 (2019: tax charge of £35,000), for motor finance was a tax charge of £6,031,000 (2019: £6,377,000) and for property bridging finance was a tax charge of £229,000 (2019: £159,000).

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.

3. REVENUE

	2020 £000	2019 £000 restated
Interest and other income from motor finance hire purchase loans	**85,465**	80,127
Interest and other income from property bridging loans	**4,474**	2,843
Total revenue	**89,939**	82,970

4. COST OF SALES

	2020 £000	2019 £000 restated
Loan loss provisioning charge – motor finance	**16,507**	16,735
Loan loss provisioning charge – property bridging finance	**713**	206
Total loan loss provisioning charge	**17,220**	16,941
Other cost of sales – motor finance	**19,238**	15,298
Other cost of sales – property bridging finance	**634**	453
Total cost of sales	**37,092**	32,692

5. INFORMATION REGARDING EMPLOYEES

	2020 No.	2019 No.
The monthly average number of persons employed by the Group in the year was:		
Motor finance	**162**	161
Property bridging finance	**10**	6
Central	**12**	12
Total Group average number of employees	**184**	179

The average employed by the Company was 12 (2019: 12)

	2020 £000	2019 £000
Staff costs during the year (including directors):		
Wages and salaries	**8,073**	7,060
Social security costs	**777**	682
Pension costs for defined contribution scheme	**358**	296
Total Staff Costs	**9,208**	8,038

The total staff costs of the Company were £1,604,000 (2019: £1,495,000)

Directors' remuneration and details of the highest paid director are disclosed in the audited section of the Directors' Remuneration Report. No director or current employee is a member of the small historic defined benefit pension plan the details of which are contained in note 26 of these notes to the accounts.

D2 NOTES TO THE ACCOUNTS (CONTINUED)

YEAR ENDED 31 JANUARY 2020

6. OPERATING PROFIT

	2020 £000	2019 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned assets	**450**	414
Staff costs	**9,208**	8,038
Cost of future share-based payments	**99**	203
Loss on sale of fixed assets	**3**	6

The analysis of auditor's remuneration is as follows:

	2020 £000	2019 £000
Fees payable to the Group's auditor for the audit of the Company's annual accounts	**23**	24
Fees payable to the Group's auditor for other services to the Group		
The audit of the Company's subsidiaries	**90**	98
Total audit fees	**113**	122
Audit related assurance services	**24**	23
Other services	**–**	–
Total non-audit fees	**24**	23
Total	**137**	145

7. FINANCE COSTS (NET)

	2020 £000	2019 £000
31.5% cumulative preference dividend	**142**	142
Lease Liabilities	**4**	4
Bank loan and overdraft	**4,704**	4,395
Interest payable and similar charges	**4,850**	4,541
Interest receivable	**–**	–
Total Finance Costs (net)	**4,850**	4,541

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit for the financial year after taxation amounted to £12,508,000 (2019: £10,547,000).

9. TAX ON PROFIT BEFORE TAXATION

	2020 £000	2019 £000
Continuing Operations		
Corporation tax at 19.0% (2019: 19.0%) based on profit for the year	**6,349**	6,578
Adjustment in respect of prior years	**12**	(7)
	6,361	6,571
Deferred tax (timing differences – origination and reversal)	**(109)**	–
	6,252	6,571

The actual tax charge for the current and the previous year from continuing operations varies to the standard rate for the reasons set out in the following reconciliation.

	2020 £000	2019 £000
Profit on ordinary activities before tax from continuing operations	**35,134**	34,560
Tax on profit on ordinary activities at standard rate of 19.0% (2019: 19.0%)	**6,675**	6,566
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**47**	55
Effects of other tax rates and timing differences	**(482)**	(43)
Prior period adjustments	**12**	(7)
Total actual amount of tax	**6,252**	6,571

The main rate of corporation tax was reduced from 20% to 19% with effect from 1 April 2017, therefore the tax rate applicable to the current period is a rate of 19.0% (2019: 19.0%). In the budget announcement on 11 March 2020 the government indicated that 19% will also now be the rate of corporation tax moving forward.

10. DIVIDENDS

	2020 £000	2019 £000
2nd Interim paid for the year ended 31/1/2019 – 35.0p per Ordinary share (32.0p)	**4,204**	3,837
Final paid for the year ended 31/1/2019 – 51.0p per Ordinary share (45.0p)	**6,152**	5,403
1st Interim paid for the year ended 31/1/2020 – 34.0p per Ordinary share (32.0p)	**4,107**	3,843
Total ordinary dividends paid	**14,463**	13,083
6% cumulative preference dividend paid March and September	**12**	12
Credit for unpresented dividend payments over 12 years old	**(14)**	(15)
Total dividends paid	**14,461**	13,080

A second interim dividend of 36.0p per ordinary share for the year ended 31 January 2020 was paid on 13 March 2020 totalling £4.4m and the directors are proposing a final dividend for the year ended 31 January 2020 of 50.0p per ordinary share totalling £6.1m. The final dividend will be paid on 10 July 2020 to shareholders on the register at close of business on 19 June 2020 subject to approval by shareholders at the Annual General Meeting on Tuesday 9 June 2020.

11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £28,882,000 (2019: £27,989,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,056,027 (2019: 12,003,051). There are a total of 30,667 dilutive share options in issue (2019: 133,834). The number of shares used in the diluted eps calculation is 12,066,617 (2019: 12,065,970).

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost or valuation					
At 1 February 2018	1,208	456	1,245	–	2,909
Additions	64	162	301	303	830
Disposals	(3)	(87)	(94)	–	(184)
At 31 January 2019	1,269	531	1,452	303	3,555
Additions	33	103	164	5	305
Disposals	(3)	(127)	(35)	–	(165)
At 31 January 2020	1,299	507	1,581	308	3,695
Accumulated depreciation					
At 1 February 2018	105	220	653	–	978
Charge for the year	46	91	239	38	414
Eliminated on disposals	(2)	(51)	(80)	–	(133)
At 31 January 2019	149	260	812	38	1,259
Charge for the year	51	83	248	68	450
Eliminated on disposals	(1)	(87)	(34)	–	(122)
At 31 January 2020	199	256	1,026	106	1,587
Net book value					
At 31 January 2020	1,100	251	555	202	2,108
At 31 January 2019	1,120	271	640	265	2,296

Included in the above is land at a cost or valuation of £22,000 (2019: £22,000) which is not depreciated.

Included in Right to Use assets above, are leases now capitalised under IFRS16 including the lease our new head office premises.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost or valuation					
At 1 February 2018	42	120	113	–	275
Additions	–	–	135	251	386
Disposals	–	–	(25)	–	(25)
At 31 January 2019	42	120	223	251	636
Additions	–	–	18	–	18
Disposals	–	–	–	–	–
At 31 January 2020	42	120	241	251	654
Accumulated depreciation					
At 1 February 2018	10	60	68	–	138
Charge for the year	1	15	38	34	88
Eliminated on disposals	–	–	(12)	–	(12)
At 31 January 2019	11	75	94	34	214
Charge for the year	–	11	35	50	96
Eliminated on disposals	–	–	–	–	–
At 31 January 2020	11	86	129	84	310
Net book value					
At 31 January 2020	31	34	112	167	344
At 31 January 2019	31	45	129	217	422

Included in the above is land at cost of £22,000 (2019: £22,000) which is not depreciated.

The net book value of tangible fixed assets leased out under operating leases was:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
	9	10	**9**	10

13. INVESTMENTS AND RELATED PARTY TRANSACTIONS

Company	2020 £000	2019 £000
Shares in subsidiary companies		
At historic cost less impairment	**533**	533

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 and Registered Number	Principal activity
Advantage Finance Limited (03773673)	Motor finance
Aspen Bridging Limited (10270026)	Property bridging finance

The following are wholly owned dormant subsidiaries of the group which take advantage of exemptions provided under s394a, s448a and s479a and do not prepare, file or have audited individual company accounts:

Advantage Motor Finance Limited (03773678), Advantage4u Limited (06691669), Advantage Direct Finance Limited (07037684), Advantage Partner Finance Limited (07036720), Advantage Asset Finance Limited (06691598), S&U Stores Limited (00448884), Communitas Finance Limited (05344125), Cash Kangaroo Limited (08435795), AE Holt Limited (00207302), EC Clothes Limited (00268965) and Wilson Tupholme Limited (00101451).

All dormant subsidiaries are directly owned by S&U plc with the exception of Advantage Motor Finance Limited and Communitas Finance Limited, which are indirectly wholly owned via Advantage Finance Limited.

All companies in the Group have their registered office at 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.

Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions with the Company's pension scheme are disclosed in note 26. During the year the Group made charitable donations amounting of £93,000 (2019: £87,000) via the Keith Coombs Trust which is a related party because Messrs GDC Coombs, AMV Coombs, D Markou and CH Redford are trustees. The amount owed to the Keith Coombs Trust at the year-end was £nil (2018: £nil). During the year the Group obtained supplies at market rates amounting to £5,668 (2019: £5,713) from Grevayne Properties Limited a Company which is a related party because Messrs G D C and A M V Coombs are directors and shareholders. All related party transactions were settled in full when due.

Company

The Company received dividends from other Group undertakings totalling £12,600,000 (2019: £10,500,000). During the year the Company recharged other Group undertakings for various administrative expenses incurred on their behalf. The Company also received administrative cost recharges from other Group undertakings. At 31 January 2020 the Company was owed £190,594,857 (2019: £182,862,859) by other Group undertakings as part of an intercompany loan facility and owed £nil (2019: £nil). All related party transactions were settled in full when due.

14. AMOUNTS RECEIVABLE FROM CUSTOMERS

	Group	
	2020 £000	2019 £000
Motor finance hire purchase	**344,131**	316,655
Less: Loan loss provision motor finance	**(63,374)**	(57,845)
Amounts receivable from customers motor finance	**280,757**	258,810
Property bridging finance loans	**21,949**	18,621
Less: Loan loss provision property bridging finance	**(956)**	(368)
Amounts receivable from customers property bridging finance	**20,993**	18,253
Amounts receivable from customers total	**301,750**	277,063
Analysis by future date due		
– Due within one year	**106,146**	94,374
– Due in more than one year	**195,604**	182,689
Amounts receivable from customers	**301,750**	277,063
Analysis of security		
Loans secured on vehicles under hire purchase agreements	**275,744**	254,742
Loans secured on property	**20,993**	18,253
Other loans not secured	**5,013**	4,068
Amounts receivable from customers	**301,750**	277,063
Analysis of overdue		
Not impaired		
Neither past due nor impaired	**250,097**	231,393
Past due up to 3 months but not impaired	**–**	–
Past due over 3 months but not impaired	**–**	–
Impaired		
Past due up to 3 months	**35,427**	33,201
Past due over 3 months and up to 6 months	**4,173**	4,256
Past due over 6 months or default	**12,053**	8,213
Amounts receivable from customers	**301,750**	277,063

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. 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 (2019: £nil).

14. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

As at 31 January 2020	Not Credit Impaired		Credit Impaired		
	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
Motor finance	**(13,375)**	**(51)**	**(49,948)**	**(63,374)**	**344,131**
Property bridging finance	**(228)**	**–**	**(728)**	**(956)**	**21,949**
Total	**(13,603)**	**(51)**	**(50,676)**	**(64,330)**	**366,080**

As at 31 January 2019	Not Credit Impaired		Credit Impaired		
	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
Motor finance	(12,685)	(71)	(45,089)	(57,845)	316,655
Property bridging finance	(131)	–	(237)	(368)	18,621
Total	(12,816)	(71)	(45,326)	(58,213)	335,276

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 2018	12,331	122	35,221	47,674
Net transfers and changes in credit risk restated	(4,656)	(55)	9,892	5,181
New loans originated	5,348	29	6,383	11,760
Total impairment charge to income statement restated	692	(26)	16,275	16,941
Amounts netted off revenue for stage 3 assets	–	–	6,245	6,245
Utilised provision on write-offs	(207)	(25)	(12,415)	(12,647)
At 31 January 2019	12,816	71	45,326	58,213
Net transfers and changes in credit risk	**(5,539)**	**(41)**	**8,293**	**2,713**
New loans originated	**6,551**	**30**	**7,926**	**14,507**
Total impairment charge to income statement	**1,012**	**(11)**	**16,219**	**17,220**
Amounts netted off revenue for stage 3 assets	**–**	**–**	**7,292**	**7,292**
Utilised provision on write-offs	**(225)**	**(9)**	**(18,161)**	**(18,395)**
At 31 January 2020	**13,603**	**51**	**50,676**	**64,330**

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Amounts owed by subsidiary undertakings	**–**	–	**190,595**	182,763
Other debtors	**494**	483	**3**	7
Prepayments and accrued income	**979**	572	**64**	30
	1,473	1,055	**190,662**	182,800

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and, other than £160.0m of intercompany receivables from Advantage Finance Limited (2019: £135.0m), which are due after more than one year, the amounts owed by subsidiary undertakings have no fixed maturity date. Under IFRS7 there are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and other receivables is not materially different to their fair value.

16. BORROWINGS INCLUDING BANK OVERDRAFTS AND LOANS

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Bank overdrafts and loans – due within one year	**–**	38	**–**	7
Bank and other loans – due in more than one year	**118,500**	108,000	**118,500**	108,000
	118,500	108,038	**118,500**	108,007

The carrying value of bank overdrafts and loans is not materially different to the fair value.

S&U plc had the following overdraft facilities available at 31 January 2020:

- a facility for £5 million (2019: £5m) which is subject to annual review in July 2020.
- a facility for £2 million (2019: £2m) which is subject to annual review in March 2020.

Total drawdowns of these overdraft facilities at 31 January 2020 were £nil (2019: £38,333).

S&U plc had the following revolving credit facilities available at 31 January 2020:

- a facility for £60 million (2019: 60m) which is due for repayment in March 2022.
- a facility for £25 million (2019: £25m) which is due for repayment in March 2021.
- a facility for £25 million (2019: £25m) which is due for repayment in March 2024.

The maturity on the £60m has also been extended to March 2023 after the yearend.

The facility for £25m due for repayment in March 2021 has been replaced with a facility for £20m due for repayment in March 2025 after the yearend.

S&U plc had the following term loan facilities available at 31 January 2020:

- a facility for £25 million (2019: £25m) which is due for repayment in April 2021.
- a facility for £25 million (2019: £25m) which is due for repayment in April 2022.

The bank overdraft and loans are secured under a multilateral guarantee provided by S&U plc and its principal subsidiary Advantage Finance Ltd.

The Company is part of the Group overdraft facility and at 31 January 2020 was £nil overdrawn (2019: £7,704). A maturity analysis of the above borrowings is given in note 21.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade creditors	**415**	442	**80**	33
Other creditors	**2,711**	1,697	**93**	81
	3,126	2,139	**173**	114

The carrying value of trade and other payables is not materially different to the fair value.

18. DEFERRED TAX

Group	Accelerated tax depreciation £000	Share based payments £000	Shadow Share Options £000	Total £000
At 1 February 2018	(60)	547	–	487
Credit/(debit) to income	(38)	38	–	–
Credit to equity	–	(89)	–	(89)
At 31 January 2019	(98)	496	–	398
(Debit)/credit to income	9	19	81	109
Charge to equity	–	(413)	–	(413)
At 31 January 2020	(89)	102	81	94

Company	£000	£000	£000	£000
At 1 February 2018	2	61	–	63
Credit to income	(15)	15	–	–
Charge to equity	–	(32)	–	(32)
At 31 January 2019	(13)	44	–	31
Credit to income	–	15	–	15
Charge to equity	–	(12)	–	(12)
At 31 January 2020	(13)	47	–	34

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

The Finance (No.2) Bill 2015 provided that the tax rate reduced to 19% with effect from 1 April 2017 and in the budget announcement on 11th March 2020 the government indicated that 19% will also now be the rate of corporation tax moving forward. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax balance is expected to reverse is 19% and this has been applied to calculate the deferred tax position at 31 January 2020.

19. CALLED UP SHARE CAPITAL AND PREFERENCE SHARES

	2020 £000	2019 £000
Called up, allotted and fully paid		
12,120,083 Ordinary shares of 12.5p each (2019: 12,011,426)	**1,515**	1,501
200,000 6.0% Cumulative preference shares of £1 each	**200**	200
Called up share capital	**1,715**	1,701

The 6.0% cumulative preference shares enable the holder to receive a cumulative preferential dividend at the rate of 6.0% on paid up capital and the right to a return of capital plus a premium of 10p per share at either a winding up or a repayment of capital. The 6.0% cumulative preference shares do not carry voting rights so long as the dividends are not in arrears.

20. FINANCIAL LIABILITIES

Preference Share Capital	2020 £000	2019 £000
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2019: 3,598,506)	**450**	450

The 31.5% cumulative preference shares entitle the holder to receive a cumulative preference dividend of 31.5% plus associated tax credit and the right to a return of twice the capital (2 lots of 12.5p) plus a premium of 22.5p per share on either a winding up or a repayment of capital. The rights of the holders of these shares to dividends and returns of capital are subordinated to those of the holders of the 6.0% cumulative preference shares. The 31.5% cumulative preference shares do not carry voting rights so long as the dividends are not in arrears.

21. FINANCIAL INSTRUMENTS

The Group and the Company's principal financial instruments are amounts receivable from customers, cash, preference share capital, bank overdrafts and bank loans.

The Group and 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 motor finance hire purchase debts are secured by the financed vehicle. All financial assets are held at amortised cost.

As at 31 January 2020 the Group's indebtedness amounted to £117,844,000 (2019: £108,038,000) and the Company's indebtedness amounted to £117,699,000 (2019: £108,000,000). The Group gearing was 65.7% (2019: 65.3%), being calculated as borrowings net of cash as a percentage of total equity. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

S&U plc has unused committed borrowing facilities at 31 January 2020 of £41.5m (2019: £27.0m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2020 was estimated to be 28% (2019: 28%). The average effective interest rate of financial liabilities of the Group at 31 January 2020 was estimated to be 4% (2019: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2020 was estimated to be 4% (2019: 4%).

21. FINANCIAL INSTRUMENTS (CONTINUED)

Currency and credit risk

The Group has no material exposure to foreign currency risk. The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4. It should be noted that the credit risk at the individual customer level is limited by strict adherence to credit control rules which are regularly reviewed. The credit risk is also mitigated in the motor finance segment of our business by ensuring that the valuation of the security at origination of the loan is within glasses guide and cap limits. The credit risk is also mitigated in the bridging property finance segment of our business by ensuring that the valuation of the security at origination of the loan is rigorously assessed and is within loan to value limits. As confirmation required under IFRS 8, no individual customer contributes more than 10% of the revenue for the Group. Group trade and other receivables and cash are considered to have no material credit risk as all material balances are due from highly rated banking counterparties.

Interest rate risk

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts where appropriate to hedge these exposures in bank borrowings. There are no interest rate derivative contracts held at 31 January 2020 (2019: none held). There is considered to be no material interest rate risk in cash, trade and other receivables, preference shares and trade and other payables.

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. The Group has low gearing for its sector and the directors consider a 0.5% and a 1% movement in interest rates to reflect the UK interest rate environment and to be appropriate for sensitivity analyses. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year.

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

- profit for the year ended 31 January 2020 would decrease/increase by £0.5million (2019: decrease/increase by £0.5million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.4million (2019: decrease/increase by £0.4million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

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

- profit for the year ended 31 January 2020 would decrease/increase by £1.0million (2019: decrease/increase by £1.0million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.8million (2019: decrease/increase by £0.8million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all material 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. "Group Gearing" is calculated as the sum of Bank Overdrafts plus Bank Loans less Cash and Cash Equivalents divided by Total Equity. At 31 January 2020 the Group gearing level was 65.7% (2019: 65.3%) which the directors consider to have met their objective.

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

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities with the exception of the junior preference share capital are considered to be not materially different from their book values. The junior preference share capital classified as a financial liability is estimated to have a fair value of £1.9m (2019: £1.9m) but is considered more appropriate under IFRS to be included in the balance sheet at amortised cost. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and based on available observable market data. The fair value hierarchy is derived from Level 2 inputs in accordance with IFRS13.

Liquidity risk

The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Management review and manage the maturity of borrowing facilities appropriately. Most of the Group's financial assets are repayable anyway within two years which together with net gearing of just over 65% results in a positive liquidity position.

Group At 31 January 2020	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	**106,146**	**59,488**	**136,116**	**–**	**–**	**301,750**
Other assets	**–**	**–**	**–**	**–**	**3,675**	**3,675**
Cash at bank and in hand	**656**	**–**	**–**	**–**	**–**	**656**
Total assets	**106,802**	**59,488**	**136,116**	**–**	**3,675**	**306,081**
Shareholders' funds	**–**	**–**	**–**	**–**	**(179,474)**	**(179,474)**
Bank overdrafts and loans	**–**	**(44,000)**	**(74,500)**	**–**	**–**	**(118,500)**
Lease liabilities	**(72)**	**(77)**	**(84)**	**–**	**–**	**(233)**
Financial liabilities	**–**	**–**	**–**	**(450)**	**–**	**(450)**
Other liabilities	**–**	**–**	**–**	**–**	**(7,424)**	**(7,424)**
Total liabilities and shareholders' funds	**(72)**	**(44,077)**	**(74,584)**	**(450)**	**(186,898)**	**(306,081)**
Cumulative gap	**106,730**	**122,141**	**183,673**	**183,223**	**–**	**–**

Group At 31 January 2019	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	94,374	56,810	125,879	–	–	277,063
Other assets	–	–	–	–	3,749	3,749
Cash at bank and in hand	1	–	–	–	–	1
Total assets	94,375	56,810	125,879	–	3,749	280,813
Shareholders' funds	–	–	–	–	(165,367)	(165,367)
Bank overdrafts and loans	(38)	–	(108,000)	–	–	(108,038)
Lease liabilities	(57)	(57)	(160)	–	–	(274)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(6,684)	(6,684)
Total liabilities and shareholders' funds	(95)	(57)	(108,160)	(450)	(172,051)	(280,813)
Cumulative gap	94,280	151,033	168,752	168,302	–	–

21. FINANCIAL INSTRUMENTS (CONTINUED)

Company At 31 January 2020	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Other assets	–	50,000	110,000	–	31,573	191,573
Cash at bank and in hand	801	–	–	–	–	801
Total assets	801	50,000	110,000	–	31,573	192,374
Shareholders' funds	–	–	–	–	(72,736)	(72,736)
Bank overdrafts and loans	–	(44,000)	(74,500)	–	–	(118,500)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(54)	(63)	(83)	–	–	(200)
Other liabilities	–	–	–	–	(488)	(488)
Contingent liabilities	(145)	–	–	–	–	(145)
Total liabilities and shareholders' funds	(199)	(44,063)	(74,583)	(450)	(73,224)	(183,818)
Cumulative gap	602	6,539	41,956	41,506	(145)	(145)

Company At 31 January 2019	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Other assets	–	–	135,000	–	48,786	183,786
Cash at bank and in hand	1	–	–	–	–	1
Total assets	1	–	135,000	–	48,786	183,787
Shareholders' funds	–	–	–	–	(74,622)	(74,622)
Bank overdrafts and loans	–	–	(108,000)	–	–	(108,000)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(42)	(42)	(146)	–	–	(230)
Other liabilities	–	–	–	–	(485)	(485)
Contingent liabilities	(31)	–	–	–	–	(31)
Total liabilities and shareholders' funds	(73)	(42)	(108,146)	(450)	(75,107)	(192,519)
Cumulative gap	(72)	(114)	26,740	26,290	(31)	(31)

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

Group At 31 January 2020	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	3,126	–	–	–	3,126
Tax liabilities	–	3,697	–	–	–	3,697
Accruals and deferred income	–	601	–	–	–	601
Borrowings	–	–	44,000	74,500	–	118,500
Lease liabilities	–	72	77	84	–	233
Financial liabilities	–	–	–	–	450	450
At 31 January 2020	–	7,496	44,077	74,584	450	126,607

Group At 31 January 2019	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	38	–	–	–	–	38
Trade and other payables	–	2,139	–	–	–	2,139
Tax liabilities	–	3,995	–	–	–	3,995
Accruals and deferred income	–	550	–	–	–	550
Borrowings	–	–	–	108,000	–	108,000
Lease liabilities	–	57	57	160	–	274
Financial liabilities	–	–	–	–	450	450
At 31 January 2019	38	6,741	57	108,160	450	115,446

Company At 31 January 2020	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**–**	**173**	**–**	**–**	**–**	**173**
Tax liabilities	**–**	**157**	**–**	**–**	**–**	**157**
Accruals and deferred income	**–**	**158**	**–**	**–**	**–**	**158**
Borrowings	**–**	**–**	**44,000**	**74,500**	**–**	**118,500**
Lease liabilities	**–**	**54**	**63**	**83**	**–**	**200**
Financial liabilities	**–**	**–**	**–**	**–**	**450**	**450**
At 31 January 2020	**–**	**542**	**44,063**	**74,583**	**450**	**119,638**

Company At 31 January 2019	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	7	–	–	–	–	7
Trade and other payables	–	114	–	–	–	114
Tax liabilities	–	219	–	–	–	219
Accruals and deferred income	–	145	–	–	–	145
Borrowings	–	–	–	108,000	–	108,000
Lease liabilities	–	42	42	146	–	230
Financial liabilities	–	–	–	–	450	450
At 31 January 2019	7	520	42	108,146	450	109,165

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH USED IN OPERATING ACTIVITIES

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Operating Profit	**39,984**	39,101	**9,892**	8,046
Finance costs paid	**(4,850)**	(4,541)	**(148)**	(146)
Finance income received	**–**	–	**2,755**	2,682
Tax paid	**(6,659)**	(5,597)	**(69)**	(85)
Depreciation on plant, property and equipment	**450**	414	**96**	88
Loss on disposal of plant, property and equipment	**3**	6	**–**	13
Increase in amounts receivable from customers	**(24,687)**	(18,057)	**–**	–
Increase in trade and other receivables	**(418)**	(337)	**(7,862)**	(1,891)
Increase/(decrease) in trade and other payables	**987**	(410)	**59**	20
Increase/(decrease) in accruals and deferred income	**51**	(237)	**13**	14
Increase in cost of future share based payments	**99**	203	**80**	82
Movement in retirement benefit asset/obligations	**(14)**	(15)	**(14)**	(15)
Net cash used in operating activities	**4,946**	10,530	**4,802**	8,808

23. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2020 and 31 January 2019, the Group and Company had no capital commitments contracted but not provided for.

24. CONTINGENT LIABILITIES

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 2020 was £145,060 (2019: £30,629).

25. SHARE BASED PAYMENTS

The Company operates a Long Term Incentive Plan (LTIP 2010) and full details of the share options outstanding during the year are shown below:

	Number of Share Options 2020	Number of Share Options 2019
LTIP 2010		
Outstanding at beginning of year	**133,834**	148,001
Granted during the year	**12,500**	10,000
Lapsed during the year	**(6,750)**	(3,500)
Exercised during the year	**(108,667)**	(20,667)
Expired during the year	**–**	–
Outstanding at end of year	**30,917**	133,834
Exercisable at end of year	**5,000**	95,000

All share options issued under the LTIP are exercisable at the ordinary share nominal value 12.5p.

The weighted average share price for share options exercised during the year was £20.96 (2019: £24.29).

The weighted average remaining contractual life of the outstanding share options is 9 months (2019: 6 months).

The Group recognised total share-based payment expenses for LTIP of £99,000 in the year to 31 January 2020 (2019: £203,000).

26. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2016. At that valuation it was assumed that the appropriate post retirement discount rate was 1.90% and pension increases would be 3.35% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS19 in order to assess the liabilities of the scheme as at 31 January 2020. The last actuarial valuation highlighted that the scheme was in surplus on an ongoing basis with the value of assets being sufficient to cover the actuarial value of accrued liabilities. No contributions are therefore being paid to the scheme at the present time and the estimated amount of contributions expected to be paid into the scheme during the year to 31 January 2021 is £nil.

The scheme is run by Trustees who are responsible for the affairs of the scheme. Trustees during the year were Mr GDC Coombs and Mr CH Redford who are also directors of S&U plc. The scheme is closed to new members. The Trustees discuss the affairs of the scheme and deal with discretionary matters regarding benefits. The trustees have employed Barclays Wealth as investment managers. S&U plc has power, under the Trust Deed and Rules which govern the operation of the Fund, to remove Trustees from office, to accept their resignations, and to appoint new or additional Trustees. The directors of S&U plc consider all these arrangements to be appropriate, having noted that the scheme has been closed to new members for over 40 years, the scheme continues to have a significant surplus and the scheme's defined benefit obligations are not material in the context of the group.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2016 and updated to 31 January 2020 by a qualified independent actuary. The valuation method used was the attained age method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2020	At year end 31 January 2019
Rate of increase in salaries		
Pension increases:	**N/A**	N/A
Pre-97 Pension	**0.0%**	0.0%
Post-97 Pension	**3.1%**	3.2%
Discount rate	**1.4%**	2.3%

Mortality assumption for 31 January 2020 comes from the S2PA tables with CMI-2018 1.25% long term trend and for 31 January 2019 mortality assumption was from the S2PA tables with CMI-2017 1.25% long term trend.

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Proportion held at 31 January 2020 £000	Proportion held at 31 January 2019 £000
Equities	**49%**	49%
Bonds	**21%**	25%
Cash/Other	**30%**	26%
Total market value of assets	**100%**	100%

26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	Jan 20 £000	Jan 19 £000
Fair value of plan assets	**1,123**	1,093
Present value of defined benefit obligations	**(538)**	(517)
Surplus before restriction	**585**	576
Restriction on Surplus	**(585)**	(576)
Pension asset	**0**	0

The amount recognised in the income statements during the year

	Jan 20 £000	Jan 19 £000
Current service cost	**–**	–
Interest on obligation	**11**	12
Expected return on plan assets	**(25)**	(27)
Expense recognised in the income statement	**(14)**	(15)
Opening net (asset)	**–**	–
Expense	**(14)**	(15)
Contributions paid	**–**	–
Actuarial loss	**14**	15
Closing net (asset)	**0**	0

The expense credit in both years is shown within administrative expenses.

Movement in present value of obligation	**Jan 20 £000**	Jan 19 £000
Present value of obligation at 1 February	**517**	533
Interest cost	**11**	12
Current service cost	**–**	–
Benefits paid	**(41)**	(41)
Actuarial (gain)/loss on obligation – assumptions	**39**	1
Actuarial loss on obligation – experience	**12**	12
Present value of obligation at 31 January	**538**	517
Experience adjustment on scheme liabilities		
Actuarial (gain)/loss as percentage of scheme liabilities	**2%**	2%
Movement in fair value of plan assets		
Fair value of plan assets at 1 February	**1,093**	1,151
Expected return on plan assets	**25**	27
Contributions	**–**	–
Benefits paid	**(41)**	(41)
Actuarial gain on plan assets	**46**	(44)
Fair value of plan assets at 31 January	**1,123**	1,093
Experience adjustment on assets		
Actuarial (gain)/loss as percentage of scheme assets	**4%**	(4%)

FIVE YEAR RECORD

	2016 IAS39 £000	2017 IAS39 £000	2018 IAS39 £000	2019 IFRS9 £000	2020 IFRS9 £000
Continuing Operations Only					
Revenue	45,182	60,521	79,781	82,970	**89,939**
Cost of Sales	(8,980)	(12,871)	(17,284)	(15,751)	**(19,872)**
Impairment	(7,611)	(12,194)	(19,596)	(16,941)	**(17,220)**
Administrative Expenses	(7,340)	(8,585)	(9,923)	(11,177)	**(12,863)**
Operating profit	21,251	26,871	32,978	39,101	**39,984**
Finance Costs (net)	(1,782)	(1,668)	(2,818)	(4,541)	**(4,850)**
Profit before taxation	19,469	25,203	30,160	34,560	**35,134**
Taxation	(3,583)	(4,861)	(5,746)	(6,571)	**(6,252)**
Profit for the year from continuing operations	15,886	20,342	24,414	27,989	**28,882**
Assets employed in all operations					
Fixed assets	1,149	1,190	1,931	2,062	**2,108**
Amounts receivable and other assets	164,407	194,577	263,262	278,751	**303,973**
	165,556	195,767	265,193	280,813	**306,081**
Liabilities	(37,300)	(56,300)	(112,377)	(115,446)	**(126,607)**
Total equity	128,256	139,467	152,816	165,367	**179,474**
Earnings per Ordinary share from continuing operations	133.6p	170.7p	203.8p	233.2p	**239.6p**
Earnings per Ordinary share from continuing and discontinued operations	581.9p	170.7p	203.8p	233.2p	**239.6p**
Dividends declared per Ordinary share	76.0p	91.0p	105.0p	118.0p	**120.0p**
Group gearing	9.3%	35.3%	68.7%	65.3%	**65.7%**

“Group Gearing” is calculated as the sum of Bank Overdrafts plus Borrowings less Cash and Cash Equivalents divided by Total Equity.

FINANCIAL CALENDAR

Annual General Meeting			9 June 2020
Announcement of Results	Half year ending 31 July 2020 Year ending 31 January 2020		30 September 2020 March 2021
Payment of Dividends	6% Cumulative Preference Shares		30 September 2020 & 31 March 2021
	31.5% Cumulative Preference Shares		31 July 2020 & 31 January 2021
	Ordinary Shares	– 2019/20 final	10 July 2020
		Ex dividend date	18 June 2020
		Record date	19 June 2020
		– 2020/21 first interim	November 2020
		– 2020/21 second interim	March 2021

Annual General Meeting Arrangements

The Annual General Meeting will take place on 9 June 2020 – further details of arrangements are contained in the Notice of Annual General Meeting sent to shareholders and on the company website at www.suplc.co.uk

OFFICERS AND PROFESSIONAL ADVISORS

Directors

A M V Coombs MA (Oxon)	(Chairman)
G D C Coombs MA (Oxon) MSc (Lon)	(Deputy Chairman)
C H Redford ACA	(Group Finance Director)
D Markou MBE FCA	(Non-executive)
G Pedersen	(Non-executive)
T Khlat	(Non-executive)
F Coombs BA (Lon) MSc (Lon)	(Non-executive)

Secretary

C H Redford ACA

Registered office

2 Stratford Court
Cranmore Boulevard
Solihull
West Midlands
B90 4QT
Tel: 0121 705 7777

Bankers

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

Natwest Bank
250 Bishopsgate
London
EC2M 4AA

Allied Irish Bank (GB)
63 Temple Row
Birmingham
B2 5LS

Auditor

Deloitte LLP
Statutory Auditor
4 Brindleyplace
Birmingham
B1 2HZ

Registrars

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
Shareholders can contact Capita on:
0871 664 0300 (calls cost 10p per minute plus network costs).

Financial Public Relations

Newgate Communications
Skylight City Tower, 50 Basinghall Street
London
EC2V 5DE

Stockbrokers

Peel Hunt LLP
Moor House, 120 London Wall
London
EC2Y 5ET

Solicitors

DLA
Victoria Square
Birmingham
B2 4DL

Internal Auditor

RSM Risk Assurance Services LLP
6th Floor 25 Farringdon Street
London
EC4A 4AB

2 Stratford Court
Cranmore Boulevard
Shirley
Solihull
West Midlands
B90 4QT

T: 0121 705 7777

Registered in England No. 342025

www.suplc.co.uk