S&U EST.1938

THE CREDIT YOU DESERVE

Robust and Resilient

Annual Report and Accounts
for the Year ended 31 January 2022

Welcome to the S&U **2022** Annual Report

Founded in 1938, S&U's mission is to provide Britain's foremost motor, property bridging and specialist finance service.

Since 1999 our Advantage motor subsidiary has provided finance for over 200,000 customers. In just four years, Aspen our new property bridging business has transacted over £200m in secured loans.

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

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

advantage FINANCE LIMITED

MOTOR FINANCE

Hire purchase motor finance for over 200,000 customers since 1999.

ASPEN BRIDGING

PROPERTY BRIDGING FINANCE

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

S&U Mission Statement

In the complex, and ever changing, world of financial services, over the past eighty years S&U's customers have relied on the company for one quality above all – TRUST. Trust is the golden seam which runs through everything we do. In practice it means:

T EAMWORK. – in any business the guardians of integrity are its people, and their common pursuit of the highest standards.

R ESPECT. – loving your neighbour is not simply at the core of Christian values, but transcends our behaviour towards everyone whatever their race, gender, religion or personality.

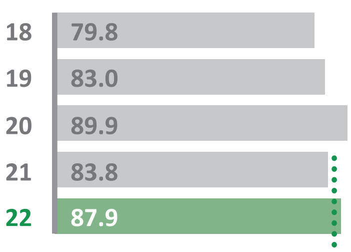
U NDERSTANDING. – valuing every customer must be grounded in a clear understanding of their needs, wishes and circumstances; this guides the service we offer them.

S ERVICE. – this is both the product and the proof of our understanding and respect for our customers, each other and our neighbours.

T RUTH. – honesty, integrity and transparency are the best guarantees of the way we treat all with whom we do business. If people trust S&U they will have confidence in the services we provide. The good business which results is our justified reward.

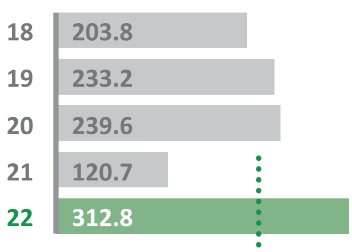
Financial Highlights

Revenue (£m)



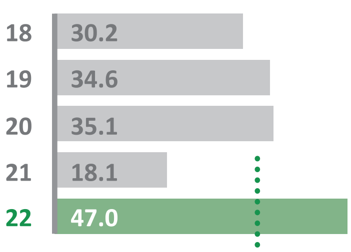
AVERAGE for the last 2 years 85.9

Basic EPS (p)



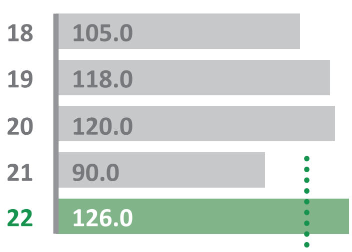
AVERAGE for the last 2 years 216.7

Profit Before Tax (£m)



AVERAGE for the last 2 years 32.6

Dividend Declared (p)



AVERAGE for the last 2 years 108.0

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Group at a glance

Founded in 1938, S&U's mission is to provide Britain's foremost motor, property bridging and specialist finance service. We now have over 62,000 customers and over 200 loyal and valued staff and plans for continued sustainable growth.

Motor Finance

Advantage Finance has grown into one of the most progressive and innovative motor finance companies in the country. Through chairing the Credit and Risk Committee and being active members of the Motor Finance Management Committee of the Finance and Leasing Association (FLA), we have been helping to shape the industry, as the nation has worked to respond to the challenges of the Covid-19 pandemic.

Based in Grimsby, Advantage employ around 180 people, and working closely with most of the motor finance Brokers across the country, we have provided hire purchase finance for over 200,000 customers throughout the UK. Advantage operates within the non-prime market sector and has built an outstanding reputation and track record in terms of service to our business partners and our customers. Funding is invested wisely through a hugely experienced management team, the majority of whom have been with the company since its inception 22 years ago.

"The response to the Covid-19 pandemic by Advantage Finance has been remarkable. Far from being victims, Advantage has thrived as we have focussed on mitigating our market risk, and by developing our systems, processes and market appeal. The experience and quality of the management team and loyal colleagues has shone through in difficult external circumstances, and we are well placed to drive Advantage as the country re-awakens from the effects of Covid-19 and to continue the success story of our business."

Graham Wheeler
Chief Executive

Property Bridging Finance

Aspen Bridging is now entering its 6th year in the property bridging finance market having successfully established a strong reputation for service excellence in the delivery of quality lending products. Aspen has developed an appealing range of bridging loans that has a reach across the market spanning residential and commercial property as well as sectors such as refinancing, capital raising and refurbishment loans. Aspen can lend up to £10m per deal with an average loan size of circa £700,000. These factors have enabled Aspen to strengthen broker relationships, appealing to them as a one-stop shop for their customer bridging loan needs and positioning ourselves as a key lender in the market. As members of the ASTL and FIBA along with showcasing our lending propositions at key industry events, Aspen maintains a high profile and contributes to discussions aimed at improving, developing and shaping the bridging the market. Aspen has continued to expand and develop the team in line with our growth with a team of 23 highly skilled and experienced staff. During the year, Aspen has successfully added to our new customer acquisition channels via new broker networks, a dedicated broker development team and we gained accreditation by the British Business Bank to provide business loans on behalf of the UK Government under the CBILS loan scheme. Aspen continues to successfully develop the bridging business and with its future significant contribution to the Group.

"Developing our offering as we have during 2021 has enabled Aspen to reach a wider market and strengthened our customer and broker relationships. We take enormous pride in delivering a fast, consistent and reliable service and we are now seeing repeat customers coming back for more of the same! With the talent that we have in the Aspen team, the right product appeal in the market and a steely determination to succeed we have here the compelling reasons why we believe that Aspen will continue to evolve a successful bridging lending business.''

Ed Ahrens
Managing Director

A1 Chairman's Statement

"This year's resounding results clearly show our, and most important our loyal people's, ability to adapt to the economic, political and regulatory environment and their work in preparing and priming the Group for both the opportunities and challenges now facing all of us, gives me a quiet but determined confidence in S&U's future."

Anthony Coombs
Chairman

STRATEGIC REPORT

ANTHONY COOMBS

£47.0m

Profit before tax ("PBT")
(2021: £18.1m)

£87.9m

Revenue
(2021: £83.8m)

In times scarred by the global pandemic, looming environmental disaster and now a war in Ukraine, anyone claiming to see the future with any certainty risks appearing a charlatan or a fool. Hence, without possessing any supernatural powers of foresight, I am at least pleased to see that my prediction last year of "a return to S&U's habitual levels of success" in 2021 has indeed now come to pass. Profit before tax for S&U plc this year is at £47.0m (2021: £18.1m) on Group revenue of £87.9m (2021: £83.8m). Group net assets now stand at a record, £206.7m against £181.0m last year.

This excellent performance sees earnings per share this year at 312.8p per ordinary share (2021: 120.7p) the best in S&U's 84-year history. The Group's traditional financial strength, excellent collections performance and receivables quality, mean Group Gearing remains at just 54.9% (2021: 54.6%). Despite the unprecedented economic and social turmoil of the past two years, first through Covid, secondly its economic aftermath and rising inflation, and third, from the as yet unknown consequences of the Ukrainian War, these results show that S&U plc has emerged stronger than ever and primed for a new era of profitable growth.

FINANCIAL HIGHLIGHTS*

- Profit before tax ("PBT"): £47.0m (2021: £18.1m)
- Revenue: £87.9m (2021: £83.8m)
- Earnings per share ("EPS"): 312.8p 2021: 120.7p)
- Group net assets: £206.7m (2021: £181.0m)
- Group gearing: 54.9% (2021: 54.6%)
- Group Treasury: £180m of medium-term funding against £113.6m borrowings
- Group total collections: £294.3m (2021: £214.3m)
- Dividend proposed: 126p per ordinary share (2021: 90p)

* key alternative performance measurement definitions are given in note 1.12 below

At Advantage, our Grimsby based motor finance business, the resilience of the business and the strength of its relationships with its customers is evidenced by a lower than normal loan loss provisioning charge for the year of £3.8m (2021: £36.0m; 2020: £16.5m) reflecting good collections and less utilisation of the impairment provisions made in the dark days of January 2021. Thus, over the past two years of Covid, Advantage has been able to produce an average of over £30m annual profit, quite remarkably just less than 10% lower than in the previous two years. This, despite a 20% fall in new car production and sales over the past two years, which has constrained supply in both the new and used car markets and hence constrained loan transactions.

At Aspen, our five-year-old property bridging operation, profits have surged ahead strongly over the past year. Transaction numbers have risen by nearly 70% and book quality is at its best level ever. The reward is a record profit for the year of £3.4m (2021: £0.8m).

S&U's remarkable ability to produce consistent and long-term growth rests on three pillars. The first is the tenacity, hard work, imagination and ambition of our remarkable colleagues. All have adapted to

A1 Chairman's Statement CONTINUED

Covid's disruption by using flexible and hybrid working to their advantage. Around two-thirds of them have now returned to normal routines of office work, and all have embraced the real opportunities for uninterrupted concentration and focus that hybrid working can bring. As Manchester City FC has so ably demonstrated, our staff may not always share the same pitch, but the whole squad can interchange for the benefit of all.

Second, they have used the pandemic period to set in place a raft of operational improvements which are making both Advantage and Aspen more competitive than ever. New finance products have been introduced, sales channels diversified, both brand and digital marketing embraced, and customer communication automated and made more efficient. All these and more are proof of the vitality and imagination of our staff, to whom, more than ever, I pay profound and respectful tribute.

Third, long experience has proved to us that successful lending businesses do not exist in a vacuum. Both the attraction and affordability of all our products depend not only upon the financial health of our customers but on prevailing economic conditions. In turn, these depend upon health of the British economy and in particular the motor and housing markets which we serve. Currently, to put it mildly, the runes are mixed. Whilst the labour market remains reasonably strong with low unemployment and rising wage rates, high utility prices, inflation and direct and indirect taxation undoubtedly threaten standards of living.

In the used car market, in which Advantage has so successfully operated for over twenty years, the dichotomy is seen in the 20% fall in new car production and sales over the past two years, contrasted to a robust 10% increase (at 1.361m) in the number of used cars financed at the point of sale (Finance and Leasing Association). The fall in new car sales means that residual values for used cars remain very strong and has resulted in a steady 9% recovery in the used car finance market over the past year. Happily, Advantage has out-performed the market, with the value of new loan advances up 37% this year and new loan transaction numbers up 26%.

In the housing market, of interest to Aspen Bridging, although market transaction numbers have remained subdued, house prices generally have risen over 10% over the last year. Although the market is now

> As the world reels from one crisis to another, it is apt to remember the words of Winston Churchill, our greatest war leader: "I'm an optimist- it does not seem too much use to be anything else".
>
> **Anthony Coombs**
> Chairman

cooling slightly as interest rates rise to counter inflation and to finance two trillion pounds of government debt, their effect on dampening demand will be offset by the fundamental imbalance between housing demand and supply in most parts of the UK. Happily, like Advantage, Aspen has been able to outperform the market seeing new loan facility numbers increase by 69% over the past year.

In sum, current trends in both our businesses remain very encouraging with current new loans this financial year already beating budget. It was our anticipation of this accelerating growth that S&U put in place an additional £50m of medium-term facilities last year. These now total £180m on borrowings of £113.6m and may be augmented within the next financial year as further growth occurs, and the macroeconomic landscape becomes clearer.

ADVANTAGE FINANCE ("ADVANTAGE")

Following a first ever dip in profits last year, as Covid stormed the economy, Advantage Finance, our motor finance business, has produced a stunning come back performance. Profits this year of £43.7m are against just £17.2m in 2021. New loan transaction numbers, even in a market constrained by the supply of used cars is up by 26% on 2021. On revenue of £78.9m, ROCE for the business was 19.4%. Whilst it is true that these results have benefitted from a much lower than normal impairment charge, this partly reflected a superb performance in collections as our loyal and conscientious customers both maintained and improved their repayments. Monthly live collections receipts reached a record £152.7m, 10% up on 2021. These collections represented an average 93.21% of due (2021: 83.26%) and the year finished on a remarkable 98.25% of due in January. They were made possible by Advantage's close and harmonious customer relations, responsible lending, the success of a new customer payment portal introduced last summer and, last but not least, by the professionalism and empathy of our customer facing teams.

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

Although Advantage expects that new loan transactions will continue to grow this year, much will depend upon consumer confidence generally and the economic fall-out from the current crisis in Eastern Europe. Their prognosis has therefore been sensibly prudent with a return to increased growth forecast for the final third of this financial year, when used car availability is expected to have gradually returned to more normal levels.

£87.9m
Group Revenue
(2021: £83.8m)

£206.7m
Group Net Assets
(2021: £181.0)

STRATEGIC REPORT

A1 Chairman's Statement CONTINUED

For the longer term, a number of marketing and branding initiatives have been introduced. They will broaden the funnel of our new business, develop new affinity and consolidated partnerships and open direct channels to future customers. Refining its renowned underwriting ability, Advantage continues to help customers improve their credit ratings and to serve them with the kind of finance product which helps them do so. To this end Advantage has welcomed new credit reference providers and has partnered with digital specialists, as well as recruiting in-house marketing expertise.

Again, with an eye to the future, Advantage has this year increased its financing of electric cars. Although electric vehicles currently only comprise about 3.5% of the UK car parc, the market is growing strongly. Indeed 28% of new vehicles sold this year were either electric or plug in self-charge hybrids. A working group has been set up to track the development of this market and we expect to be able to introduce more of our customers to it over the next few years.

Aspen Bridging

Aspen, our property bridging business set up in 2017, has produced record results and is fulfilling our ambitions for it. Profit before Tax is a record £3.4m (2021: £0.8m) and year end net receivables have grown to £63.9m (2021: £34.1m). New loan facility numbers in the year rose from 80 to 135 on gross maximum LTVs at a conservative 66% average. Loans written were £112m this year (2021: £43m) well above budget. Credit quality remains good. 102 loans were repaid last year, generating £77m of cash (2021: £29m). Defaults are at their lowest ever and no actual realised losses have been incurred this year on the loan book. This is a testament to Aspen's thorough, painstaking and rigorous approach to underwriting involving a personal visit to every property financed.

As the business develops, new products have been introduced. Loans now range up to £5m per deal as, in the absence of flexible mainstream bank support, the refurbishment and small development market expands. Last year saw Aspen trade very successfully within the Government's Coronavirus Business Interruption Loan Scheme (CBILS). The burgeoning Buy-to-Let market has seen Aspen introduce a 'Bridge to Let' product which is proving attractive to smaller developers and investors. Aspen anticipates further lending growth this year.

Considerable investment has been made in staff development and recruitment. New business development managers and Aspen's growing credibility within the broker community helped produce a record £27m gross loans in the final quarter of 2021/22. As the business grows, so will staff numbers and their experience and professional qualifications.

This year, although possibly muted in the light of macro-economic conditions, we expect the UK housing market to continue to grow both in value and in transaction numbers. In the long term the continued mismatch between the demand for affordably priced housing and a relative dearth of supply will see that it remains so. Aspen's budgets and aspirations responsibly reflect this.

Dividends

Together with Warren Buffett, the legendary American investor, we believe that shareholders' rewards

should reflect the long-term view of the cash thrown off by the profits of the businesses they own. We have reflected this at S&U in a longstanding dividend approach which aims at seeing dividends twice covered. Taking the past two years as a whole earnings per share have averaged just over 216p thus implying a total dividend of 126p per ordinary share this year (2021: 90p). Subject therefore to the approval of shareholders at our AGM on 26 May 2022, we propose a final dividend of 57p per share (2021: 43p). This final dividend will be paid on 8 July to shareholders on the register on 17 June 2022.

Funding Review

At £113.6m at year end, net borrowings are well within our medium-term facilities of £180m. Whilst Advantage's excellent debt quality and cautious underwriting saw it again generate cash last year, Aspen's growth absorbed nearly £30m of additional funds. We anticipate that current facilities will give sufficient headroom for the anticipated organic growth in both businesses in the next year. As usual these will be increased as required.

Governance and Regulation

The past 85 years of S&U's existence have obviously seen profound changes in the financial services industry. Whilst technological change has been at the forefront, the most profound change has been philosophical, and one which could threaten the flexibility, development and success of the industry. Previously widely accepted notions regarding the success of the free enterprise system in harnessing the energy, motivation and multiple decisions of millions of consumers and producers for the benefit of all, are no longer widely held. As Milton Friedman, and even the great Adam Smith, lauded the ability of markets, flexibly regulated to benefit the common good and improve standards of living generally, current trends are increasingly more interventionalist, judgemental and even "woke". As Lord David Frost recently pointed out on his resignation from the government, this has resulted in the mistaken and dangerous assumption that profit-making inevitably risks being at the expense of consumers, and not for their benefit.

All this has resulted in a tsunami of regulation, sometimes ill-coordinated and even contradictory, apparently designed to remove all risk for consumers irrespective of circumstances. This has two serious consequences.

First, it restricts innovation, robust competition and therefore economic growth. As Professor Tim Congdon recently pointed out it is unlikely to be a coincidence that the UK growth rate of 3% per annum in the more lightly regulated 1960's, has given way to a feeble 0.9% per annum rate between 2019 and 2020 in these more consumerist times.

Second, waves of new regulation, often without any parliamentary or even ministerial scrutiny or oversight, have led to complication and uncertainty. The Consumer Credit Act, the principal legislation for the financial services industry, is now over 50 years old and has been constantly overlaid with statutory instruments, codes of conduct and new consumer duties. In the words of the Finance and Leasing Association, these have ceded control over regulation to the regulators themselves. The industry's policemen have effectively become its law makers. Now this process risks even further confusion by the proposed introduction of a new Consumer Duty, which (whilst laudably aiming for good customer outcomes) is so subjective that it risks, according to the Finance and Leasing Association, giving "no certainty on what good compliance looks like from the outset."

A1 Chairman's Statement CONTINUED

S&U has always put customers' interests first. This is not only morally good business but is commercially vital in nurturing long-term customer relationships and the earnings derived from them. Indeed S&U's Mission Statement – "TRUST" – encapsulates this. Fortunately, Advantage Finance enjoys an excellent and mutually respectful relationship with the Financial Conduct Authority; building on this will necessitate a greater certainty and clarity over what constitutes good conduct and compliance.

More widely, S&U's habitual responsibilities for the world around it are itemised in its Environmental, Social and Governance Responsibilities ("ESG"). How we fulfil these, are detailed, without any virtue signalling, in later sections on S&U's Corporate and Social Responsibility and in our Section 172 Statement. Nevertheless, we maintain our conviction that our principal responsibilities are to our customers, our staff and our shareholders. This coincides with a recent survey by Henley Strategy, reported in the Times, which showed that 74% of the British public now felt that prioritising staff and customers should take precedence over a focus on wider social and environmental issues. Our pragmatic approach means that the last year has seen recruitment at Aspen fully reflect the ethnic diversity of its West Midlands base; a selection process for a new main Board Director which involved a majority female shortlist; the formation of a new Group wide working party on Eco-strategy to oversee our response to becoming carbon neutral by 2030, including the promotion of Advantage's offer for electric vehicles. As evidence of intent, many of the Board of Advantage now either possess or have ordered an electric vehicle.

Most of all, in these turbulent and ever-changing times, we will continue to insist that our ESG agenda is driven by common sense and not political fashion.

Finally, it gives me great pleasure to welcome to our Board this year two new members. The first is my cousin Jack who replaces Fiann Coombs, whom I warmly thank for the wise contribution he has made to our proceedings over the past decade. As evidenced by his work at Aspen, Jack thoroughly deserves this recognition, will continue the founding Coombs family's deep involvement with S&U and add boundless energy and, dare I say it, youth to our Board deliberations. The second, and latest appointee to the Board is Jeremy Maxwell, whom we were delighted to appoint earlier this year after an exhaustive and very thorough process, and who brings considerable talent, wisdom and experience in marketing, particularly in the Business to Consumer field, at Wolseley UK, Carpetright, B&Q, Screwfix and Mothercare.

Current Trading and Outlook

As the world reels from one crisis to another, it is apt to remember the words of Winston Churchill, our greatest war leader: "I'm an optimist- it does not seem too much use to be anything else". Like all successful businesses with a long history, S&U recognises that it must tailor its products and services and trim its operational tack to its economic, political and regulatory environment, over which it may have little control but to which it can nevertheless adapt and therefore thrive. Whilst this year's resounding results clearly show our, and most important our loyal people's, ability to do this, their work in preparing and priming the Group for both the opportunities and challenges now facing all of us, gives me a quiet but determined confidence in S&U's future.

Anthony Coombs
Chairman

1 April 2022

A2 Strategic Report

OVERVIEW

The directors are required to publish a Section 172(i) statement showing how they 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 and environment in which we live, and therefore fulfil our ESG responsibilities.

S&U 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, with the sole exception of the Covid affected 2020/21, in a record of 21 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 now receives nearly 1.5m unique applications a year and has written over 210,000 customer loans since starting trading in 1999. The loans have an average original term of just over 4 years and this medium-term loan cycle means that motor finance profits are normally earned over a much longer period than just the year of origination.

Of course, Advantage serves an evolving motor market. Covid related lockdowns saw new car sales fall from 2.3m in 2019 to 1.6m in 2020, although this recovered slightly to 1.65m in 2021.

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

The year also saw a further decline in the public's appetite for new diesel engines. Sales have fallen from 50% of all new passenger cars in 2014 to less than 15% now. On the other hand, sales of petrol new vehicles rose to 58% of the total market last year. Electric and hybrid vehicles sold a record 440,000 cars in 2021 up 75% on a year earlier and now comprise a quarter of new registrations. Undoubtedly these trends will continue, although the shape of the UK's total "car parc" will change more slowly. EV sales will undoubtedly rise as they become more affordable, battery life improves and infrastructure for charging is upgraded. Advantage's current estimates predict that by 2030 new registrations of petrol vehicles will constitute about 20% of the market, diesel will be negligible whilst hybrid and electric sales will take 80% of the market, 30% of which will be EV.

However, these trends will have a less effect on the make-up of the UK's car parc over the next decade. This is estimated to reach about 50m vehicles of which 30% will be EV. Although at present the older and higher income profile of EV buyers does not match that of the Advantage customer, as EVs enter the used car market over the next five years, Advantage sees significant opportunities in electric vehicle finance. Indeed, Advantage is developing products for this market and has already financed some used electric vehicles.

The first and fundamental factor in Advantage's success is the relative buoyancy and resilience of the used car market in which it operates. Thus, although the UK's new car market at just 1.65m registrations last year is down about 30% on the levels pre-pandemic, the used car market in which Advantage operates has been more buoyant. Thus, in 2021 it saw 7.53m used car sales up 11.5% on the previous year. The second factor in 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. Successful business is the result of a thousand small improvements rather than a very few revolutionary ones. In recognising the importance of its statutory obligations and relationship with the FCA in ensuring that customers are treated fairly, 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. A new customer service portal was launched in 2021 this is proved very successful in improving communications between Advantage and its customers and also enabling them to make on-line payments. Our commitment to our customers is summed up in Anita Roddick's phrase – "good business really is good business."

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. Particularly during the Covid Pandemic and the various associated employment, expense and payment "holiday" impacts this has brought, non-prime customers can find that their disposable incomes are more unpredictable. Advantage's under-writing model has been 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 62,000 customers.

Whilst lending is on a fully secured basis, debt quality at Aspen, our property bridging lender does rely on the experience and reliability of the borrower as much as on the value of the property being financed. After a very strong mid-year when new mortgage advances rose to £159.8bn nationally (FCA), as buyers chose to take advantage of the Government's stamp duty holiday, the residential lending market has cooled slightly, although overall total lending is back to pre-pandemic levels. The long-term confidence in the UK housing market which Aspen serves is further evidenced by a 11% house price increase in the UK during 2021. These trends are reflected in Aspen's volume of loans written which nearly trebled to £130m throughout the year – and also in the quality of the loan book. Pent up demand for home ownership stimulated by the Government's low deposit home ownership schemes, as well as refurbishment opportunities within Britain's environmentally sub-standard housing stock, lead us to predict a very exciting future for our Aspen Bridging business.

"Mainstream" banks, including the newer "challengers", continue to lack the speed, flexibility and appetite to furnish the smaller, short-term loans in which Aspen specialises. Recent consolidation in the challenger banking sector is evidence of this and again shows that, 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 2022 £m	Year ended 31 January 2021 £m
Revenue	**87.9**	83.8
Cost of Sales – Impairment	**(4.1)**	(36.7)
Cost of Sales- Other	**(18.8)**	(14.3)
Gross Profit	**65.0**	32.8
Administrative Expenses	**(14.2)**	(11.1)
Operating Profit	**50.8**	21.7
Finance Costs (Net)	**(3.8)**	(3.6)
Profit before Taxation	**47.0**	18.1
Taxation (note 9 in the accounts)	**(9.0)**	(3.5)
Profit after Taxation	**38.0**	14.6

Please note the businesses use financial and other key performance indicators such as new deal volumes and other alternative performance measures set out in A2.1 and A2.2 within this Strategic Report – definitions for the alternative performance measures are given in note 1.12 to the financial statements.

Advantage Motor Finance

- PBT £43.7m (2021: £17.2m despite pandemic).
- New transactions at 19,747 (2021: 15,600) on record application numbers.
- Monthly Collection receipts at a record £152.7m – 10% up on 2021.
- Impairment at £3.8m (2021: £36.0m) reflecting much higher than expected post Covid loan quality.
- Administrative expenses increased by 32% due to salary and variable pay increases this year which were low last year. Last year also contained a historic one-off vat refund of £0.9m.
- Excellent collections at Advantage see borrowings reduce by £14m despite transactions growth.
- ROCE at 19.4% (2021: 8.6%) (note 1.12).

Advantage proved the resilience of its business model and the quality of its loan book and customer relations by a rebound in profitability in the year from £17.2m to £43.7m. This result benefitted from a collections performance which justified a write back of loan loss provisions made during the Covid lock down last year. This recovery has been startling. Of the 21,221 customers taking Covid related payment "holidays" last year just 1709 have so far been classified as "bad debt", representing just 1.3% of Advantage's overall book. In total there are 13218 post payment holiday customers still on our live book at the end of January 2022 and these customers paid a remarkable 97.01% of due in January.

Alongside this excellent trading performance, Advantage prepared for recovery by making a number of significant innovations and improvements to the business. Staff welfare was at the heart of this. Hybrid working for those who wish it, at two to three office days per week has seen productivity increase still further. No redundancies or short-time working have been necessary and the Company, as well as S&U plc generally, is pleased not to have taken a penny in Government subsidy.

Besides the collection improvements mentioned above, a major drive on widening Advantage's channels to its market and making them more effective has been taking place. This has included new third-party relationships, the recruitment of

marketing expertise as well as further refinements in customer data analytics.

Aspen Property Bridging Finance

- PBT at £3.4m (2021: £0.8m).
- 135 deals (2021: 80) and a record final quarter.
- Net receivables up to a record £63.9m (2021: £34.1m).
- Book quality excellent with only 2 current default cases.
- Loan repayments of £77m (2021: 29m).
- Gross advances at record £112m (2021: £43m).

Aspen's sparkling set of results, record transactions and best ever debt quality were delivered in a housing market which defied the predictions of gloom by recording an 11% house price increase in the year. During the first half of the year both advances and collections benefited from Aspen's successful participation in the Government's CBILS Covid Business Interruption Loan Scheme, whilst the second half saw record new loan transactions for the period. Both loans written throughout the year at £112m (2021: £43m) and loans repaid £77m (2021: £29m) were a record for Aspen.

Aspen widened its range of increasingly supportive and loyal brokers, reshaped its range of loan products and introduced a new Bridge to Let product, designed for the builder refurbisher with a mind to later transition to investment.

In order to achieve and further bolster this progress, Aspen recruited experienced business development managers, tightened its processes to ensure even stronger more robust underwriting and still insists that every property upon which Aspen lends for security is personally visited by a member of the team.

A2.3 Funding and Balance Sheet Review

The strength of S&U's balance sheet is reflected in the fact that the last year saw Group total assets grow from £284.8m to £329.7m whilst net liabilities to our bankers rose by just £14.7m. As a result, gearing remained at its customary low level of just under 55%. Current net borrowings of £113.6m contrasts with S&U's medium-term facilities in place of £180m with its excellent, loyal and constructive banking partners. These were augmented by £50m over the past financial year and it is anticipated that with current rates of growth these will prove sufficient for the coming year. As usual, as growth trends, in what is still a very uncertain macro-economic climate, become clearer then facilities can be adjusted and hopefully augmented in order to take account of this.

A2.4 Principal Risks and Uncertainties

Whilst Corporate Governance guidelines, and the provisioning insisted upon by the Financial Reporting Council require macro-economic forecasts, both Covid, the recovery from it, current inflationary trends and now a war in Europe make this a virtually impossible task. For instance, last year the Office for Budget Responsibility expected the British economy to grow by over 7% in 2022. Current projections for growth this year are now just 4.8%. Current trends in interest rates, although upward, are in our view unlikely to be very significant particularly since inflation is unlikely to persist at more than 4% throughout the year. More encouraging are the trends in the labour market where unemployment at 4% seems happily likely to persist.

Against such an uncertain background, S&U has maintained its historically cautious attitude in its four-year budget forecasts.

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.

The impact of Covid, uncertainty regarding the evolution of Brexit and now a war in Ukraine have adversely impacted the economy during the past two years and projected higher levels of unemployment and cost of living inflation including energy and fuel costs may lead to more motor finance repayment delinquency. However, Advantage historically has been resilient through adverse macro-economic conditions and so we currently believe these risks are limited.

The Group is particularly exposed to the non-prime motor sector and within that to the market risk of the values of used vehicles which are used as security. This risk is principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation. Loan to values are also controlled within our property bridging business although historically impairment rates in that market are low, principally because loan to value calculations are conservative, interest is retained upfront and loan periods average around one year.

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- the Group has no such interest rate derivative contracts currently.

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. Advantage also engages in regular "face to face" liaisons with the FCA and the relationship is excellent.

Regulatory Risk is addressed by a strong compliance function and by the constant review and monitoring of Advantage's internal controls and processes, overseen by RSM, S&U's internal auditors. This process is buttressed by specific advice from Trade and other organisations and by RSM.

Alan Tuplin, formerly Head of Credit, is Chief Risk Officer of Advantage

A2 Strategic Report CONTINUED

and plays a key role in managing and mitigating legal, regulatory and conduct risk within Advantage. Alan has over 20 years of experience in non-prime motor finance and chairs the Risk Committee at the Finance and Leasing Association, the industry's trade body.

Whilst engaged in the un-regulated sector, Aspen Bridging has adopted procedures which are similar to those required in the regulated sector. This provides both commercial discipline and 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.

The Group is very proud of its excellent underwriting and fraud deterrence processes which it continues to develop. Advantage's underwriting capability, already state of the art in the motor finance industry, is being further refined through work with open-banking providers which will give an even more comprehensive overview of customer circumstances, affordability and their income and expenditure.

A2.4.4 Operational Risk

The Group is also exposed to operational risk including the risk of not maintaining effective internal systems, organisation and staffing. During Covid increased use of technology and excellent application by our staff has helped the management of this systems risk and the Company has Cybersecurity measures in place which are regularly tested. As part of Advantage's IT governance framework, a real time monitoring suite for quality assurance is being evolved. This will both provide absolute assurance in line with IT's second line risk enterprise and offer still greater regulatory transparency.

A2.4.5 Risk Management

Under Provision 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.

As outlined above, 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 include S&U Board executive directors who serve on the Advantage board.

Finally, Advantage's Chief Executive and main Board member, Graham Wheeler sits on the Executive Committee of the FLA and is regularly requested by the Government on advice on regulatory matters, particularly in the environmental field.

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 2022 and assessed the prospects of the company considering:

- 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 economy and the markets the Group is involved in.

The directors then considered the same three-year period commencing 1 February 2022 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 2022.

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 are set out in the notes to the financial statements 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.

CASE STUDIES

Our Customers

“Helen was fantastic, nothing was too much trouble, friendly and professional, She kept us updated every step of the way. A very smooth, quick service.

Thank you Helen”

MR C

Mr C lives in Hampshire with his partner and is a Mechanical Manager. He takes home approximately £4416 per month and was looking for a vehicle to provide him transport requirements in January 2022.

Mr C was referred to us by an existing Account Holder Mr S under our “Refer a Friend” scheme. Mr C’s credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was appropriate and affordable for his circumstances.

Mr C’s application was approved and after being given an indication of his credit limit, settled on a Land Rover Sport from a dealer of his choice.

The purchase price was £17,490 and Advantage arranged a loan of £15,000 to be repaid over 60 months at monthly repayments well suited to Mr C’s budget.

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 C was able to complete all the relevant documentation and purchase the vehicle without any delay.

Mr C took the time to review his experience on an online review site was clearly happy with the service he received from Advantage, leaving a 5-star review.

“I have had a really pleasant experience with Advantage. Our consultant was extremely helpful, polite and professional throughout. Was kept up to date and left fully informed at all times. A pleasure to do business with.”

MR V

Mr V lives in Hampshire with his partner and works in construction. He first took out finance with Advantage in February 2015 and 2018 with the loans being paid off at the end of their respective term. In November 2022 Mr V was again looking for financial support to allow the purchase of a car and made a direct approach to Advantage in order to enquire about assistance for his motor finance requirements, and dealt with one of our customer advisors working as part of the Advantage new business team.

Mr V’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 V’s previous Advantage loans were also present which both had excellent payment history.

Mr V’s application was approved and after being given an indication of his credit limit, settled on a vehicle from a dealer of his choice. Advantage provided a £8,690 loan to be repaid over 60 months at monthly repayments well suited to Mr V’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 V was able to complete all the relevant documentation and purchase the vehicle without any delay.

Mr V took the time to review his experience on an online review site and was clearly happy with the service he received from Advantage, leaving a 5-star review.

CASE STUDY

Our Customers

“Aspen has managed to bring together the best of both worlds; they make sure they look after the client, take a commercial view on the deal and more importantly at very competitive rate."

Broker feedback

“There are hundreds of firms to choose from for finance, however Aspen is head and shoulders above them all. Their efficiency and resolve to deal with each case with care and professionalism ensures success. You couldn’t find a better group.”

Customer feedback

DEVELOPER SECURES INVESTMENT PROPERTY AFTER £3,637,500 BRIDGE

- A £3,637,500 bridge at 75% LTV from Aspen has enabled a developer to secure a desirable investment property in Henley-on-Thames.
- The residential property was in high demand due to its location, meaning a quick completion was required to stay ahead of other interested parties.

ASPEN COMPLETES COMPLEX 80% LTV FINISH & EXIT BRIDGE OF £1,260,000

- Aspen has completed a complex 80% LTV Finish & Exit bridge of £1,260,000, comprising £960,000 to clear an existing facility and £300,000 to finish works, on a substantial Grade 2 listed property in Lincolnshire undergoing heavy works.
- Comprising seven part built high-end apartments, the case involved substantial due diligence within a very short timeframe, including the renovation of a listed property.

A4 Corporate Social Responsibility

A4.1 EMPLOYEES

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

We ensure that all staff receive appropriate initial training and regular re-training in the field and in areas of specialism. We encourage employees to gain professional qualifications where appropriate. For instance, at Aspen this year we will see the two staff members gain MRICS and LLB qualifications. 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 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 47. 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 Complaints Department in Grimsby or to our head office in Solihull. Our records demonstrate we enjoy high levels of customer satisfaction and 67 of only 86 complaints which reached the Financial Ombudsman Service in the year were decided in the Group's favour (2021: 44 of 74 complaints were decided in the Group's favour). In the year to 31 January 2022 57% of complaints which reached the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2021: 74%) and therefore not related to operational issues within Advantage.

S&U supports its wider community through charitable giving and activities relating to fundraising. Whilst staff are regularly involved in their own charitable activities,

A4 Corporate Social Responsibility CONTINUED

S&U plc channels its philanthropic activities through The Keith Coombs Trust which this year celebrates its 10th anniversary. The Trust which Anthony Coombs chairs, but which has a Board of independent trustees, mainly gives to charities helping children with disabilities. Amongst other causes, last year the Company supported The National Institute for Conductive Education, which deals with adults and children with cerebral palsy, strokes and head injuries. It is also working with Whizz-Kidz to provide equipment for disabled children and to offer employment opportunities to wheelchair users. The Trust also supports the Marie Curie Hospice which is close to its Solihull HQ, by sponsoring the Hospice's costs for the 10th January every year – Keith Coombs birthday. During the past year the KCT Trust donated a total of £102,000 to these charities and, to mark its 10th anniversary, S&U is making a special donation of £100,000 to support longer term charitable aims in these areas.

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 a local cricket club 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

Although we recognise that current thinking means that diversity reporting should be based around a statistical analysis of our staff's racial origin, given our above long-standing policies, we consider that this can too often itself be divisive and potentially discriminatory. By recruiting the best people for the job, we both enhance their self-esteem, irrespective of their background, racial or socio economic, and at the same time create an esprit de corps unmarked by tokenism.

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 past year a new building has been refurbished for employees at Advantage which will improve and maximise space, ensure Covid safety and provide better break out areas. 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

Like any group of people who cherish our environment both for our own sakes and for those of succeeding generations, S&U supports the Government's Green Finance Strategy and is taking measures to reduce our carbon footprint and minimise and then eliminate carbon emissions so far as we are able directly to control them.

This means that, particularly so far as Advantage Finance, our motor business and Head Office in Solihull are concerned, we need to monitor and reduce those areas of emissions which we can most directly control in order to achieve net zero status by 2030.

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.

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.

The Company is pleased to present its initial climate change report under the framework provided by the Task Force on Climate Related Financial disclosures ('TCFD').

A4.4A GOVERNANCE

A climate change committee chaired by the Chairman Anthony Coombs and consisting of senior executives and the Chairman of the audit committee meets on a quarterly basis to review the identification, assessment and management of climate change risks within the Group. The Managing Directors of both Advantage and Aspen serve on this committee. The Committee reports to the Board of directors of S&U plc which has overall oversight of the Group's work on climate change and this is now a regular Board agenda item.

A4.4B STRATEGY

The Group will continue to identify opportunities to manage its scope 1 and scope 2 emissions and will continue to seek to directly reduce its contribution in these areas to climate change.

In addition in order to off-set those Scope one and two emissions, which we are not at present able to reduce to zero, we propose a range of measures including tree planting. We are currently costing planting schemes which will be both cost effective, significantly reduce our scope one and two emissions and, equally important, produce an environment in the areas where they are planted of semi-mature trees which significantly enhance our landscape.

The Group is also keen to properly identify opportunities to manage indirect scope 3 emissions. We are therefore investigating the best means of measuring and attributing our indirect scope 3 emissions since this involves liaison with our suppliers up and down the value chain and changes to the emission qualities of buildings and vehicles that not only S&U occupies but also that Aspen and Advantage finance.

The Group is keen to progress these opportunities to manage and reduce its impact on climate change over shorter term, medium term and longer-term planning horizons being the next year, the next 3 years and the next 5 years and beyond respectively.

A4.4C RISK MANAGEMENT

The Group identifies climate change risks through the climate change committee and the wider executive teams including the risk management teams of both our operating businesses, Advantage Finance Limited and Aspen Bridging Limited. Our biggest business Advantage Finance reports to the climate change committee through its Chief Risk Officer Alan Tuplin who also expertly advises on the Group's climate change activity. Underwriting policies and procedures consider climate risk factors particularly in our property bridging business where consideration is taken of the potential for flood and subsidence with a requirement for appropriate insurance.

All our underlying global energy use is UK based and during the year we have and will continue to take action in order to reduce these emissions. For instance, substantial changes have been made to our buildings in Grimsby which will reduce energy usage and make them more environmentally responsible, we will install solar panels to reduce physical energy use where we are able to do so and where this would be consistent with maintaining a good visual environment. As we have stated above we are encouraging employees to switch their company vehicles, where they possess them, to electric and many Advantage directors were early to switch to electric vehicles. Again, as we state above, one in four of our employees are working at least in part from home. This has been monitored by our HR departments and has significantly reduced commuting and the carbon emissions for which it is responsible.

At Aspen, we monitor the changes in EPC category that the refurbishment schemes we finance bring about, although of course we have no direct control over them since this is a matter for building regulation and for the customer themselves.

In order to off-set those Scope one and two emissions, which we are not at present able to reduce to zero, we propose a range of measures including the tree planting measures outlined above.

A4 Corporate Social Responsibility CONTINUED

A4.4D METRICS AND TARGETS

S&U's own direct environmental footprint is reported in the following table:

GREENHOUSE GAS EMISSIONS DATA

For period 1 February 2021 to 31 January 2022

	Tonnes CO_2	
	Year ended 31 January 2022	Year ended 31 January 2021
Scope 1 (Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	**51**	49
Gas consumption	**21**	11
Scope 2 (Energy indirect emissions)		
Purchased electricity (location based)	**48**	53
Total scope 1 and 2	**120**	113
Scope 3 (Other indirect emissions)		
Water consumption	**1**	1
Waste	**2**	3
Total scope 1, 2 and 3	**123**	117
Company's chosen intensity measurement:		
Normalised tonnes scope 1, 2 and 3 CO_2e per £m turnover	**1.4**	1.5

For the year ending 31.1.22 we achieved the target of below 2.2 normalised tonnes per £m turnover.

For the year ending 31.1.23 we are targeting below 1.8 normalised tonnes per £m turnover.

Obviously, what is in our more direct control is scope one direct emissions from petrol and diesel used by company cars, gas consumption and air conditioning and boiler systems.

More difficult to both analyse and monitor are our indirect emissions particularly those caused by companies for whom we buy energy such as our electricity and gas supplies. Finally, we are investigating the best means of measuring and attributing our indirect scope 3 emissions since this involves liaison with our suppliers up and down the value chain and changes to the emission qualities of buildings and vehicles that not only S&U occupies but also that Aspen and Advantage finance.

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") and updated HM Government SECR guidance dated March 2019. We have also utilised DEFRA'S 2020 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 (Trustpilot), 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 39. 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

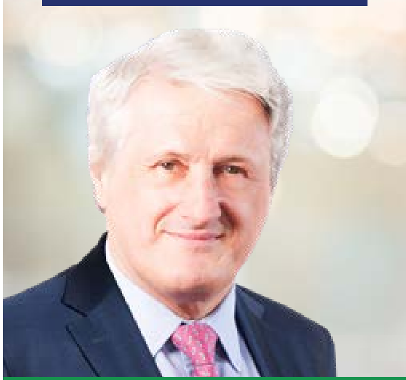
1 April 2022

Corporate governance

CONTENTS

B1 Board of Directors

ANTHONY COOMBS MA (OXON)



CHAIRMAN

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Joined S&U in 1975 and was appointed Managing Director in 1999 and then Chairman in 2008 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.

GRAHAM COOMBS MA (OXON) MSC (LON)

DEPUTY CHAIRMAN

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

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.

GRAHAM WHEELER

CEO ADVANTAGE FINANCE

Graham brings over 35 years experience in motor finance across consumer and business lending, much of it in a senior leadership roles. He developed through blue chip Companies like GM, Barclays, GE Capital, and Volkswagen FS, where he held the post of UK CEO for 11 years. Graham joined S&U Plc board in September 2020 and is now in his third year of leading its successful motor finance subsidiary Advantage Finance.

JACK COOMBS MA (OXON) ACA

(EXECUTIVE)

Co-founder of Aspen Bridging. Joined S&U in 2016 as Group Development Executive having previously worked in PWC's Valuations team and qualified there as a Chartered Accountant. Member of the Lender Committee for the Financial Intermediary and Broker Association (FIBA) industry body. Jack is also an avid supporter of charity and swam the Channel from England to France in 2011 in 13 hrs and 46 mins to raise funds for Alzheimer's Research & Mondo Challenge.

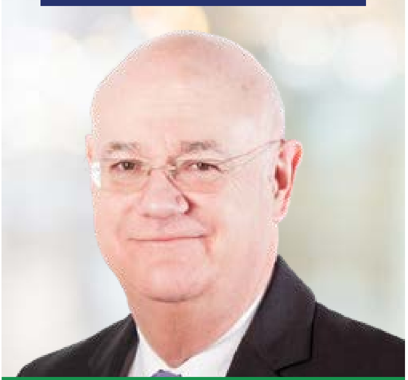
TAREK KHLAT

(NON-EXECUTIVE)

N A R

Tarek has over 25 years of experience in financial services and he 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. Tarek was awarded an MBE by her Majesty the Queen in 2021.

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.

JEREMY MAXWELL

(NON-EXECUTIVE)

N A R

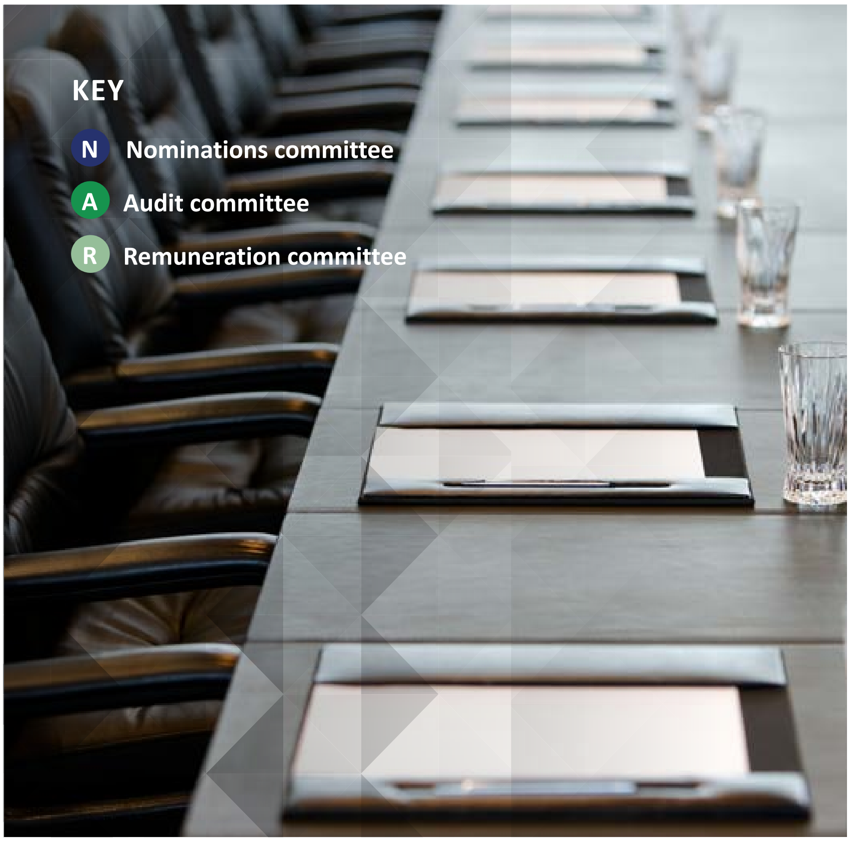
Jeremy brings broad expertise in digital innovation, marketing, commercial development and customer experience from over 25 years in the retail and B2B distribution industries. In addition to other NED and advisory roles, he has held senior customer-facing executive positions at Carpetright, Wolseley UK, Mothercare, Screwfix and B&Q.

DEMETRIOS MARKOU FCA MBE

(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, professional and political experience.



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 2022.

What a year it has been for S&U!

Accelerating lending volumes, exceptional collections and strong impairments performance in motor finance, together with further expansion of Aspen, all underpin the incredible year for the company during continued Covid-related uncertain times.

Against a backdrop of a shortage of used cars, Advantage has increased advances by 37% and within a competitive bridging market Aspen has increased the annual number of new lending facilities by 69% and has a record lending pipeline at the start of the new financial year. As a result, Group profit before tax is £46.7m for the year ended 31 January 2022 (2021: £18.1m).

The Company's current forward-looking Remuneration Policy was approved with a binding vote at the AGM on 20 May 2021 and a copy of our full Remuneration Policy Report is available on our website www.suplc.co.uk. An updated long-term incentive plan was also approved with a binding vote at the AGM on 20 May 2021.

This year's annual Directors' Remuneration Report sets out how the Remuneration Policy was applied during the year ended 31 January 2022 and provides details of amounts earned in respect of the year ended 31 January 2022. It also sets out how the Remuneration Committee has decided the Remuneration Policy will be operated for the year commencing 1 February 2022.

2021/22 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.

Consumer motor finance, property bridging markets and our customers were significantly impacted by the Covid pandemic and the associated remedial actions of government, regulators, customer employers and business partners. Therefore, the group profit before tax had reduced from £35.1m to £18.1m during the year to 31.1.21, due mainly to a higher than normal covid-related impairment charge. During the year to 31.1.22, the adverse impacts of the Covid pandemic have proven less than anticipated thanks partly to a more benign economy and also due to the resilience of the company, the hard work and diligence of the Advantage and Aspen teams and the leadership of the executive team. This has resulted in better than anticipated collections and a much lower than normal impairment charge this year resulting in group profit before tax increasing from £18.1m to an exceptional £47.0m and we are delighted with this result. Loan advances, collections, early repayment indicators and profits all improved further during the year in both Advantage and Aspen to help deliver this annual profit.

Against a backdrop of a shortage of used cars, Advantage saw 19,747 new motor finance agreements with good early repayment patterns. After being affected by Covid forbearance and FCA mandated payment holidays last year, our collections team have continued to work diligently to support customers affected by the pandemic and overall collections have recovered to perform very strongly during the year ended 31.1.22. Collections have also been helped by a more benign economy than anticipated. Looking forward due to potential future impacts from inflation and used car price correction, we remain optimistic but cautious in our outlook and adopt our normal conservative approach to impairment provisions.

In its fifth year of operation, Aspen Bridging made 135 new loan facilities lending over £111m. From the 369 new loan facilities made since its inception in 2017, Aspen has so far received 267 repayments and of the 102 bridging loans still live at 31.1.22 only 2 were in default. Lending volumes were helped in the early part of the year by Aspen successfully participating in the government CBILS scheme and latterly by steady growth in normal bridging business which underpins the further growth planned for year end ending 31 January 2023.

Whilst political and economic uncertainties have and will continue to affect S&U, the Company has continued to demonstrate its historic ability to produce robust and resilient results.

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 increased by 159% to £47.0m and ROCE was 17%. This was significantly above the ROCE target and the PBT stretch target level of £25.5m (equivalent to annual growth of 41%) for which 100% of bonus would be payable. Therefore, the Remuneration Committee determined that for the financial year 2021/22 bonuses equivalent to the maximum annual bonus opportunity of £30,000 each would be awarded to Anthony Coombs and Graham Coombs and £50,000 to Chris Redford.

It was noted by members of the committee that the excellent group PBT number actually achieved during the year was a major accomplishment during such unprecedented times and was a testament to the hard work, leadership, focus and strength of the individuals themselves, the executive team as a whole as well as the overall resilience of the Company.

It is also the view of the committee that these, and other non-financial aspects of the company which the individuals also contributed to during the year, such as overall customer satisfaction with company products and regulatory compliance, although more intangible, nevertheless affect the potential value of the company and should be recognised.

The Remuneration Committee therefore considers these annual bonus awards to be fair and reasonable and reflective of each director’s achievement against performance targets set during the year.

In May 2021 Chris Redford was granted 5,000 shadow share options under the new LTIP, as disclosed in last year’s Directors Remuneration Report. The Remuneration Committee determined that 5,000 of these shadow share options vested with reference to performance during the year ended 31 January 2022 based on group PBT and ROCE performance being significantly above the PBT stretch target level of £25.5m.

Graham Wheeler

Graham was appointed to the Board on 29 September 2020 after a year as CEO of our main operating subsidiary company Advantage Finance Limited.

The Committee have considered Graham’s management of the Advantage Finance team in light of the significant challenges in consumer motor finance arising from Covid and the associated environment, and the outstanding Advantage profit result of £43.7m for the year ended 31 January 2022. The Committee judged the level at which the annual bonus payment should be made. For the financial year 2021/22 a bonus of £50,000 was awarded to Graham Wheeler.

In May 2021 Graham Wheeler was granted 5,000 shadow share options under the new LTIP, as disclosed in last year’s Directors Remuneration Report. The Remuneration Committee determined that 5,000 of these shadow share options vested with reference to performance during the year ended 31 January 2022 with reference to the underlying profit performance of Advantage and achievement against the profit and ROCE based targets set for that year.

Jack Coombs

The Remuneration Committee welcomes Jack Coombs to the S&U Board. Jack was appointed to the Board on 14 April 2021 after 4 years as an executive director of our growing operating subsidiary company Aspen Bridging Limited. Jack is a major shareholder in S&U plc.

The Committee have considered Jack’s significant contribution to the successful start-up and sensible growth of Aspen Bridging including excellent growth during the year ended 31 January 2022 helping Aspen Bridging achieve a record profit before tax of £3.4m. The Committee judged the level at which the annual bonus payment should be made. For the financial year 2021/22 a bonus of £10,000 was awarded to Jack Coombs.

Key remuneration decisions and related matters for the year ending 31 January 2023

Salary increases, annual bonus and LTIP

After company profits were significantly impacted by Covid, salaries for executive directors for the yearend ended 31 January 2022 were frozen at the same level as year ended 31 January 2021. This was in line with pay review decisions for the wider workforce. The Remuneration Committee has now agreed salary increases for the year ended 31 January 2023 in the range 3.75% to 5.5% except where exceptional circumstances merited a higher increase, as noted below. After a review of market comparables and after his exceptional performance in his first two full years as CEO of Advantage Finance, two years which coincided with the Covid pandemic, it was decided to award Graham Wheeler a salary increase of 20% for year ended 31 January 2023. After his excellent performance as an executive director of our growing Aspen Bridging subsidiary and their record recent performance and profitability, it was decided to award Jack Coombs a salary increase of 10% for the year ended 31 January 2023.

For the year ending 31 January 2023, where the performance targets set are achieved, the annual bonus has been set at £50,000 for Anthony Coombs, Graham Coombs, Graham Wheeler and Chris Redford and has been set at £25,000 for Jack Coombs. 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 Profit Before Tax (PBT) targets and Return on Capital Employed (ROCE). In order for the bonuses to be paid in full, these stretching performance targets must be achieved and, if not fully met, the Remuneration Committee will determine the level of any reduced annual bonus payment.

The Committee intends to grant 6,000 shadow share options under the new LTIP to Graham Wheeler, subject to achieving certain Advantage PBT and ROCE targets for the year ending 31 January 2023. The Committee also intends to grant 6,000 shadow share options under the new LTIP to Chris Redford, subject to achieving certain group PBT and ROCE targets for the year ending 31 January 2023.

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 2023, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs, Graham Coombs and Jack Coombs similarly provides adequate alignment to shareholders.

Fees for the non-executive directors have now been increased by 4.2% to £37,000 and for the senior non-executive director increased by 4% to £39,000 for the year ended 31 January 2023. Fees had previously been frozen for the year ended 31 January 2022 at the same level as for year ended 31 January 2021.

The Remuneration Committee believes that an element of the executive remuneration should be linked to non-financial KPI's that align with the Company's purpose and long-term strategy, particularly around the Company's governance structures and environmental impact. As a first step in the process of developing such a strategy, the Company has prepared a Company Mission Statement, which is published at page 1. which describes the organization's values and its overall intention and serves to communicate purpose and direction to employees, customers, vendors and shareholders. The Remuneration Committee is now considering how, for the year ending 31 January 2024 and beyond, the Company can link a material element of the executive remuneration to such non-financial goals in a way that is clear and measurable. Ensuring clear line of sight between the company's activities and its company mission, we believe, will help employees develop ownership and accountability and develop a culture which rewards not only the achieving of financial targets but also related to the company's corporate purpose.

The Remuneration Committee continues to welcome Shareholder feedback on 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 26 May 2022.

Tarek Khlat
Chairman of the Remuneration Committee

1 April 2022

B2.2 ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2022. 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, Mr Jeremy Maxwell and Mr Tarek Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on pages 28 and 29. 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.

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;

- 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 2022 was £43,200 charged on a time and materials basis including guidance on the 2021 remuneration policy and new LTIP. 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 48 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 2022, together with comparative figures for the year ended 31 January 2021:

	Anthony Coombs £000		Graham Coombs £000		Chris Redford £000		Graham Wheeler* £000		Jack Coombs* £000	
Executive Directors	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Salaries and fees	360	360	345	345	232	232	250	83	80	0
Allowances and benefits	79	75	35	35	22	26	16	7	1	0
Pension Contribution	0	0	0	0	34	34	25	8	12	0
Total Fixed	**439**	435	**380**	380	**288**	292	**291**	98	**93**	0
Bonus	30	15	30	15	50	25	50	25	10	0
Shadow Share Incentive	0	0	0	0	137	0	137	0	0	0
Total Variable	**30**	15	**30**	15	**187**	25	**187**	25	**10**	0
Total	**469**	450	**410**	395	**475**	317	**478**	123	**103**	0

* Graham Wheeler was appointed a director of S&U Plc on 29 September 2020, and so only a part year remuneration is shown in the single figure table for 2020/21. Jack Coombs was appointed a director of S&U plc on 14 April 2021 so only a part year remuneration is shown in the single figure table for 2021/22.

	Demetrios Markou £000		Fiann Coombs £000		Graham Pedersen £000		Tarek Khlat £000		Jeremy Maxwell* £000	
Non-executive Directors	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Salaries and fees	37.5	37.5	11.8	35.5	35.5	35.5	35.5	35.5	1.4	0
Total	**37.5**	37.5	**11.8**	35.5	**35.5**	35.5	**35.5**	35.5	**1.4**	0

* Jeremy Maxwell was appointed a director of S&U Plc on 17 January 2022, and so only a part year remuneration is shown in the single figure table for 2021/22.

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 31. The Remuneration Committee determined that no part of any bonus paid for the year ended 31 January 2022 would be deferred.
Share incentive plans (LTIP)	For the year ended 31 January 2022 figures for the value of options vesting under the share incentive plans have been calculated as follows: • Stretch PBT and ROCE based performance targets for the year to 31 January 2022 were met in full; accordingly, the Remuneration Committee determined that 100% of the 5,000 LTIP shadow share options granted to Graham Wheeler vested in respect of performance in the year to 31 January 2022 and 100% of the 5,000 shadow share options granted to Chris Redford vested in respect of performance in the year to 31 January 2022. Both these vested shadow share options are subject to continued employment until May 2024 and will not normally be exercisable until May 2024. The minimum amount of these shadow share options which could have vested is nil. Although both the above LTIP options are subject to continued employment, the value of the shares vesting by reference to performance to 31 January 2022 is shown above based on the three-month average share price to 31 January 2022 (£27.38). In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, it is estimated that 1% of the value of the LTIP value which will vest at the end of the period closing 31 January 2022 is attributable to share price growth over the period starting on the date of grant and ending on 31 January 2022. This is calculated based on an award of 5,000 potential shadow share options which were each granted at a face value at date of grant of £134,000 (£26.80 share price) and at 31.1.22 had a face value of £135,000 (£27.00 share price). We intend to grant further shadow share options in May 2022 based on the value of 5,000 shares in S&U. These awards will be subject to a performance period which will commence on 1 February 2022 and will end on 31 January 2023 and the earliest they can be exercised is three years from date of grant. The share price at the start of the performance period was £27.00; if the share price were to increase by a further 50% between May 2022 and May 2025, then the share price of the award would have increased to £40.50, representing an increase in the face value of the award of £67,500, based on 5,000 S&U shares. For the year ending 31 January 2021 comparative figures: No share options or shadow share options were granted in this year. In the first quarter of the financial year, Chris Redford waived his right to the 7,500 LTIP share options disclosed in last year's Directors' Remuneration Report and so these 7,500 LTIP share options were not granted. These share options would have been subject to usual employment and performance conditions and those performance conditions for the year ended 31 January 2021 would not have been met.

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 2022).

B2 Directors' Remuneration Report CONTINUED

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 2022, the base salaries of Anthony Coombs, Graham Coombs, Graham Wheeler and Chris Redford were frozen at the same level as year ended 31 January 2021, effective from 1 February 2021.

For the year ending 31 January 2023, the Remuneration Committee has now agreed salary increases in the range 3.75% to 5.5% except where exceptional circumstances merited a higher increase, as noted below. This was in line with the wider workforce. After a review of market comparables and after his exceptional performance in his first two full years as CEO of Advantage Finance, two years which coincided with the Covid pandemic, it was decided to award Graham Wheeler a salary increase of 20% for year ended 31 January 2023. After his excellent performance as an executive director of our growing Aspen Bridging subsidiary and their record recent performance and profitability, it was decided to award Jack Coombs a salary increase of 10% for the year ended 31 January 2023.

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

Executive director	Base salary as at 31 January 2022 £000	Base salary for year to 31 January 2023 £000	Increase %
Anthony Coombs	360	373.5	3.8
Graham Coombs	345	358	3.8
Chris Redford	232.5	245	5.4
Graham Wheeler	250	300	20.0
Jack Coombs*	100	110	10.0

* Jack Coombs was appointed a director of S&U plc on 14 April 2021 so only a part year's remuneration is shown in the single figure table.

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 by 4.2% to £37,000 with effect from 1 February 2022. The basic senior non-executive fee was increased by 4.0% to £39,000 with effect from 1 February 2022. 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	2020/21 £000	2021/22 £000	2022/23 £000
Basic fee	35.5	35.5	37
Additional fee for Demetrios Markou as Senior Independent Non-executive director	2	2	2

Annual bonus

For the year ending 31 January 2022, 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 2022 together with the Group PBT targets and details of the actual bonus earned.

	Performance targets	Maximum annual bonus opportunity year ending 31 January 2022 £000	Bonus pay-out % of maximum %	Actual bonus earned for the year ending 31 January 2022 £000
Anthony Coombs	Group PBT target (£22.9m) and ROCE target	30	100	30
Graham Coombs		30	100	30
Chris Redford		50	100	50
Graham Wheeler	Advantage Finance PBT and ROCE target*	50	N/A	50
Jack Coombs	Aspen Bridging PBT and ROCE target*	N/A	N/A	10

* 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 2022 bonuses of £30,000 each were deemed payable to Anthony Coombs and Graham Coombs, bonuses of £50,000 each to Graham Wheeler and Chris Redford and a bonus of £10,000. Actual Group, Advantage and Aspen PBT and ROCE were well above the stretch targets and the committee also considered the extent to which both financial and individual performance targets had been met and in determining these bonuses.

Annual bonus in 2022/23

For the year ending 31 January 2023, where the performance targets set are achieved, the annual bonus has been set at £50,000 for Anthony Coombs, Graham Coombs, Graham Wheeler and Chris Redford and set at £25,000 for Jack Coombs. 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) 2021

Awards granted during the period

Graham Wheeler was awarded 5,000 shadow share options under the 2021 LTIP in May 2021 at a notional nil exercise price, subject to achieving specified Advantage PBT and ROCE targets for the year ended 31 January 2022.

Chris Redford was awarded 5,000 shadow share options under the 2021 LTIP in May 2021 at a notional nil exercise price, subject to achieving specified Group PBT and ROCE targets for the year ended 31 January 2022.

No other shadow share options were envisaged to be granted to S&U directors and none were granted during the year ended 31 January 2022.

B2 Directors' Remuneration Report CONTINUED

Awards vesting based on performance in respect the year ended 31 January 2022

Details of awards vesting on performance in respect of the year ended 31 January 2022 have been included in the notes to the single figure tables on page 34.

Awards for 2022/23

The Committee intends to grant 6,000 shadow share options under the 2021 LTIP to Graham Wheeler, subject to achieving certain Advantage PBT and ROCE targets for the year ending 31 January 2023. The Committee also intends to grant 6,000 shadow share options under the 2021 LTIP to Chris Redford, subject to achieving certain group PBT and ROCE targets for the year ending 31 January 2023.

The LTIPs will normally become exercisable three years from grant, subject to the satisfaction of the performance conditions and the director 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	
		2022	**2023**
Anthony Coombs	Bonus	£30,000	£50,000
	Shadow share options	–	–
Graham Coombs	Bonus	£30,000	£50,000
	Shadow share options	–	–
Chris Redford	Bonus	£50,000	£50,000
	Shadow share options	5,000	6,000
Graham Wheeler	Bonus	£50,000	£50,000
	Shadow share options	5,000	6,000
Jack Coombs*	Bonus	£10,000	£25,000
	Shadow share options	–	–

* Jack Coombs was appointed a director of S&U plc on 14 April 2021 and so only a part year's remuneration is shown in the single figure table.

For the year ending 31 January 2022, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs, Graham Coombs and Jack Coombs provides adequate alignment to shareholders. No shareholding guideline applies to any of the other directors of the Company.

Total pension entitlements in 2021/22 (this section is subject to audit)

During the year the Group made contributions into a defined contribution scheme on behalf of Graham Wheeler 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	34	14.5
Graham Wheeler	25	10.0
Jack Coombs*	12	15.0

* Jack Coombs was appointed a director of S&U plc on 14 April 2021 and so only a part year's remuneration is shown in this table.

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.

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) %
2022	450	100	n/a
2021	450	20	n/a
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

B2 Directors' Remuneration Report CONTINUED

Percentage change in Executive Directors' 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 executive directors for the year ended 31 January 2022 compared to the wider workforce.

Element	Anthony Coombs	Graham Coombs	Chris Redford	Graham Wheeler	Jack Coombs	Wider Workforce
Year to 31.1.22	**%**	**%**	**%**	**%**	**%**	**%**
Base salary	0.0	0.0	0.0	0.0	n/a	3.0
Allowances and benefits	5.3	0.0	(15.4)	n/a	n/a	n/a
Bonus	100.0	100.0	100.0	100.0	n/a	186.9
Year to 31.1.21						
Base salary	1.4	1.5	3.1	n/a	n/a	6.1
Allowances and benefits	60.0	0.0	(10.3)	n/a	n/a	n/a
Bonus	(40.0)	(40.0)	(19.4)	n/a	n/a	(42.0)

Anthony Coombs received benefits and allowances of £79,000 in the year ending 31 January 2022 and £75,000 in the year ending 31 January 2021. Anthony Coombs earned a bonus of £30,000 for the year ending 31 January 2022 and earned a bonus of £15,000 for the year ending 31 January 2021.

Graham Coombs received benefits and allowances of £35,000 in the year ending 31 January 2022 and £35,000 in the year ending 31 January 2021. Graham Coombs earned a bonus of £30,000 for the year ending 31 January 2022 and earned a bonus of £15,000 for the year ending 31 January 2021.

Chris Redford received benefits and allowances of £22,000 in the year ending 31 January 2022 and £26,000 in the year ending 31 January 2021. Chris Redford earned a bonus of £50,000 for the year ending 31 January 2022 and earned a bonus of £25,000 for the year ending 31 January 2021.

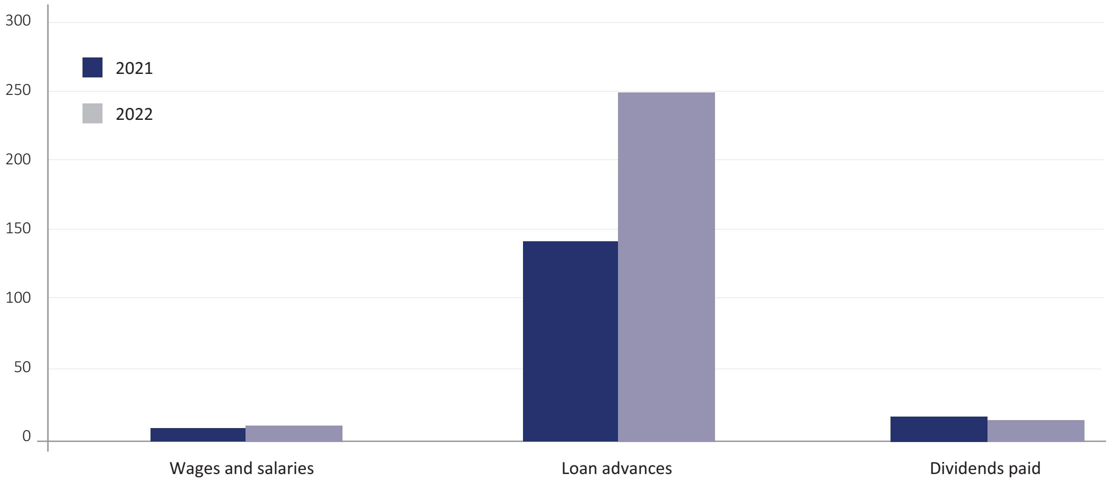
Graham Wheeler was appointed a director of S&U plc on 29 September 2020 and so remuneration data is only available, in part, for the year ending 31 January 2021.

Jack Coombs was appointed a director of S&U plc on 14 April 2021 and so remuneration data is only available, in part, for the year ending 31 January 2022.

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 2021 and 31 January 2022. Given the nature of the Group's business, the other significant outflows for the Group are loan advances and dividends payable.



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

There were no loss of office payments made during the year ended 31 January 2022.

Statement of directors' shareholding and share interests

The table below details the beneficial shareholdings and share interests of the directors as at 31 January 2022.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2022
Anthony Coombs	Shares	1,277,609	–	–	–	1,277,609
	LTIP		–	–	–	–
Graham Coombs	Shares	1,635,457	–	–	–	1,635,457
	LTIP		–	–	–	–
Chris Redford	Shares	14,000	–	–	–	14,000
	LTIP		–	3,500	–	3,500
Graham Wheeler	Shares	–	–	–	–	–
	LTIP		–	–	–	–
Jack Coombs	Shares	1,677,147	–	–	–	1,677,147
	LTIP		–	–	–	–
Non- executive directors						
Demetrios Markou	Shares	4,500	–	–	–	4,500
Graham Pedersen	Shares	–	–	–	–	–
Tarek Khlat	Shares	–	–	–	–	–
Jeremy Maxwell	Shares	–	–	–	–	–

In addition to the above holdings, Grevayne Properties Limited, a Company beneficially controlled by Anthony Coombs and Graham Coombs, hold 318,323 Ordinary Shares.

The 3,500 share options referred to above are held under the old LTIP scheme – there are no direct share interests arising under the new LTIP scheme agreed by shareholders at the AGM in 2021 as options which are granted under this new scheme are shadow share options only.

There are no specific shareholding requirements for directors and there have been no changes to the above shareholdings and share interests between 31 January 2022 and the date of this report.

B2 Directors’ Remuneration Report CONTINUED

Shareholder vote on the 2021 Remuneration Report and 2021 Remuneration Policy (this section is not subject to audit)

The table below shows the voting outcome at the 20 May 2021 AGM for the 2021 Directors Remuneration Report (advisory) and the voting outcome at the 20 May 2021 AGM for the 2021 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 2021	5,676,346	96.52	204,907	3.48	5,881,253	228
Remuneration Policy 2021	5,672,786	96.46	208,467	3.54	5,881,253	228

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 The Annual Remuneration Report was approved by the Board of Directors on 1 April 2022 and signed on its behalf by:

Tarek Khlat
Chairman of the Remuneration Committee

1 April 2022

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, both internal and external. The Committee continues to monitor developments in other areas in this regard, to ensure that its role is properly and appropriately applied and performed. The Committee is cognisant of the evolving audit landscape for listed companies and is helping the company develop and embed its evolving response to climate change including the work for the task force on climate related disclosures (TCFD).

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 J Maxwell, Mr D Markou and Mr T Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on pages 28 and 29. 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 2022 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 2022 Financial Statements were as follows:

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 66

Receivables are impaired in Motor Finance based on the overall contractual arrears status and also the number of cumulative contractual monthly payments that have been missed in the last six 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 which again references historical payment performance and amounts recovered.

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 Mazars 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 66

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 and hire purchase interest income is then recognised using the EIR. Acceptance fees and any direct transaction cost are included in the calculation of EIR.

In assessing the appropriateness of revenue recognition the Audit Committee considers;

c) The work performed by management and by Mazars as part of their external audit, including their challenge of the assumptions used by management; and
d) 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, Mazars 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 during Mazars LLP's first year as our auditors was effective this year. After a rigorous tender process Mazars LLP were formally appointed as group auditors at the AGM in May 2021, taking over from Deloitte LLP who had been Group Auditors since 2000.

The Audit Committee and Mazars 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 £25,000 (2021: £25,000) and this was for the half year review of interim results. The audit committee have continued to monitor the quality of service they provided and their continuing independence. They examined Mazars 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 considered Mazars' understanding of S&U plc's business, their access to appropriate specialists, and their understanding of the financial sector in which the Group operates.

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 Mazars provided during the year would be reviewed by the Audit Committee to ensure that they did not compromise the auditing function of Mazars 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 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

1 April 2022

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 has always meant an identity of interest between major 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." Our mission statement is published on page 1. Family investment and management has over the past 84 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 2022 comprised five 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 and under Provision 19 of the Code it is recommended that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Mr. Anthony Coombs was appointed Chairman in 2008 as part of an established succession plan reflecting the Coombs family's significant 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 and Aspen Bridging are each managed by a separate board of directors. The minutes 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.

Demetrios Markou has served as a non-executive director on the Board for over nine 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 adoption of evolving accounting standards in TCFD and other areas 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. In January 2022, Jeremy Maxwell was appointed to the Board and brings broad expertise in digital innovation, marketing, commercial development and customer experience from over 25 years in the retail and B2B distribution industries.

It is noteworthy that the appointment of Jeremy Maxwell was conducted in a professional and robust manner with the engagement of a recruitment company searching extensively a range of potential applicants for the newly created role to oversee the Group's digital marketing initiatives. This exercise

B3 Governance CONTINUED

resulted in a final selection of five potential candidates: three females and two males. One female and one male candidate were invited to an orientation visit to the operations of Advantage Finance in Grimsby and Jeremy Maxwell was ultimately considered the most engaged and appropriate candidate for appointment. Through the robust nature of this recruitment process it is demonstrable that the S&U Group is fully committed to ensuring that gender balance on the Board is achieved wherever possible while adhering to the core business principles of appointing the right person for the role.

The appointment of Jack Coombs, as an Executive Director, was considered appropriate given both his significant family shareholding and the additional business and accounting skills – he is a chartered accountant-that he brings to the Board. Jack's brother Fiann Coombs retired from the Board in May 2021 having served 19 years as a director of S&U plc.

The Nominations Committee, chaired by Mr. G Pedersen, comprises the independent non-executive directors and Anthony Coombs, Group Chairman. Audit and Remuneration Committees are made up of the four independent non-executive directors and chaired by Demetrios Markou and Tarek 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 three 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 current year the Nomination Committee played a significant role in the appointment of Jack Coombs and Jeremy Maxwell to the Board, both of which appointments enhance the relevant skills and experience of the Board and help succession planning. The Nomination Committee will continue to monitor the availability of relevant skills and experience alongside its corporate governance responsibilities, in its further 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 Anthony Coombs, Graham Coombs, Chris Redford, Graham Wheeler, Jack Coombs, Graham Pedersen, Tarek Khlat and Demetrios Markou being eligible offer themselves for re-election at the next Annual General Meeting. Tarek Khlat, Graham Pedersen, and Demetrios Markou are non-executive directors and the Chairman has determined their performance to be both effective and committed. Jeremy Maxwell was appointed to the Board on 17 January 2022 and offers himself for election at the next Annual General Meeting.

The Company Secretary Chris 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 25, 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 51 and those of the auditor on page 58.

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. The Audit Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures.

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 guidance in the UK Corporate Governance Code.

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 73 and all non-audit service requirements are considered by the Group before an appointment is made. The non-audit services provided were audit related assurance.

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 12 women hold 33% of senior management positions and women hold 64% of other employee positions and during the year no female directors served on the Board. Currently 24 men hold 67% of senior management positions and men hold 36% of other employee positions and during the year eight male directors served on the Board. The Company had 10 employees of which two are women and eight are men including six S&U plc Directors.

B3 Governance CONTINUED

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 2022 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	6	2	1	3
AMV Coombs	6	2	n/a	n/a
GDC Coombs	6	n/a	n/a	n/a
D Markou	6	2	1	3
G Pedersen	6	2	1	3
T Khlat	6	2	1	3
JP Maxwell (appointed 17.1.22)	n/a	n/a	n/a	1
F Coombs (retired 20.5.21)	3	n/a	n/a	n/a
J EC Coombs (appointed 14.4.21)	4	n/a	n/a	n/a
TG Wheeler	6	n/a	n/a	n/a
CH Redford	6	n/a	n/a	n/a

Fiann Coombs and Jack Coombs had full Board attendance in their part year as S&U Board Directors. Jeremy Maxwell was appointed on 17 January 2022 and therefore there were no Board meetings during the year ended 31 January 2022 which he could have attended and only one committee meeting which he did attend.

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 30.

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 in tandem with our Stockbroker Peel Hunt who issue regular reports on these activities.

Mutual commitment and loyalty between Company and its employees has under-pinned S&U's 84-year history. Both its size, with currently over 180 employees in Grimsby and over 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.

Although, the S&U Group does not have a formal mechanism of staff engagement with the Board, staff in the major operating subsidiary, Advantage Finance, do actively participate in regular "cascade" meetings where business developments and resourcing levels are discussed. It is felt that such practices do allow proper workforce engagement to take place without the specific need to create a formal "Staff Consultative" committee structure.

B3.3 COMPLIANCE STATEMENT

Throughout the year ended 31 January 2022 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

1 April 2022

B4 Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2022 and for the period up to the date of signing these accounts on 1 April 2022.

The names of 9 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 28. After 19 years of excellent service, Fiann Coombs did not put himself forward for re-election for the AGM on 20 May 2021 and retired from the Board on that date. Jack Coombs, one of the two founding directors of Aspen Bridging and a major shareholder in S&U plc was appointed to the Board on 14 April 2021. Jeremy Maxwell was appointed to the Board as a non executive director on 17 January 2022. Jeremy brings broad expertise in digital innovation, marketing, commercial development and customer experience from over 25 years in the retail and B2B distribution industries. All other directors served for the full year to 31 January 2022.

No political donations were made during the year (2021: £nil).

DIVIDENDS

Dividends of £12,263,000 (2021: £13,098,000) were paid during the year.

After the year end a second interim dividend for the financial year of £4,372,000 being 36.0p per ordinary share (2021: 25.0p) was paid to shareholders on 11 March 2022.

The directors now recommend a final dividend, subject to shareholders approval of 57.0p per share (2021: 43.0p). This, together with the interim dividends totalling 69.0p per share (2021: 47.0p) already paid, makes a total dividend for the year of 126.0p per share (2021: 90.0p).

SUBSTANTIAL SHAREHOLDINGS

At 1 April 2022, 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 in the Directors' Remuneration Report above):

Shareholder	No of ordinary shares	% of Ordinary share capital
Jennifer Coombs	461,885	3.8%
Wiseheights Limited	2,420,000	19.9%

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.

CHANGES IN ACCOUNTING POLICIES

There were no significant changes in accounting policies this year.

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.

After the required tender process, Mazars were appointed as auditors to the group and the company at the AGM in May 2021 to replace Deloitte LLP who resigned as planned at the end of their term. We thank Deloitte for their excellent service and welcome David Allen and Mazars LLP as our external auditors.

B4 Directors' Report CONTINUED

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events to report.

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.

- Information surrounding future developments is given in the Strategic Report and Chairman's Statement.
- Information surrounding engagement with customers, business partners and others is given in the Strategic Report and S172 Statement.
- Disclosures concerning greenhouse gas emissions are given in Section A4.4 in the Strategic Report.
- Information about the Group's use of financial instruments is given in the note to the accounts 21.

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

1 April 2022

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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. 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.

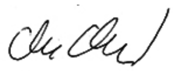
RESPONSIBILITY STATEMENT

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



Chris Redford
Group Finance Director

1 April 2022

C Independent Auditor's Report to the Members of S&U Plc

OPINION

We have audited the financial statements of S&U plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2022 which comprise the group income statement, the group and parent company statements 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 notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the 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 FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described on page 17, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Engaging in regular discussions with the directors regarding the status of negotiations in respect of new financing options;

- Reviewing regulatory correspondence, minutes of meetings of the Audit Committee and the Board of Directors, and post balance sheet events to identify events of conditions that may impact the group's and the parent company's ability to continue as a going concern;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the impact of the Covid-19 pandemic;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to S&U plc's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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) we identified, including 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.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

C Independent Auditor's Report to the Members of S&U Plc CONTINUED

Key Audit Matter	How our scope addressed this matter
Impairment of amounts receivable from customers (Advantage Finance Limited and Aspen Bridging Limited) (2022: £92.1m, 2021: £92.9m) *Refer to note 1.4 for the accounting policy, note 1.11 for details of the key sources of estimation uncertainty and note 14 for relevant disclosures.* The estimation of expected credit losses ('ECL') on amounts receivable from customers is complex and inherently judgmental due to the use of subjective assumptions and a high degree of estimation. **The most significant areas where we identified greater levels of management judgement are:** • **Staging of loans and the identification of Significant Increase in Credit Risk;** • **Key assumptions in the model including probability of default ("PD") and loss given default ("LGD") including the present value of future cash flows from collateral; and** • **Use of macro-economic variables reflecting a range of future scenarios.** The continuation of the COVID-19 pandemic in the UK during the year under audit, and the accompanying government interventions including furlough, payment holidays and changes to the ability to repossess vehicles, together with the strengthening of the used car market during the pandemic have resulted in post model adjustments being applied to the Advantage Finance Limited ('Advantage') ECL modelling. The government's interventions had ended by the Group's financial year end but the full effect of them coming to an end was not considered by the Group to have been observed and fully understood resulting in the continued use for post model adjustments. In addition, Aspen Bridging Limited ('Aspen') has participated in the Coronavirus Business Interruption Loan Scheme ('CBILS') to provide financial support to smaller businesses in the UK. This represents a new lending category for the Group on which to assess ECL requirements. CBILS loans should, however, be covered up to the first 80% of any loss by the British Business Bank under the terms of the scheme. The range of reasonable outcomes could be greater than materiality for the financial statements as a whole.	Our audit procedures included, but were not limited to: • Understanding and evaluating the control environment over the ECL model; • Testing and challenging the key assumptions of the PD, LGD and SICR and the staging applied and forward-looking assumptions and probability weighting; • Critically assessing the methodology for determining the SICR criteria and independently testing a sample of loans for appropriateness of staging; • Independently challenging the macroeconomic variables, economic scenarios and their probability weighting. We involved our in-house economist in this process; • Assessing the integrity of the data used in the calibration of the PD and LGD; • Critically challenging the appropriateness and reasonableness of the post model adjustments, and independently recalculating the post model adjustments applied to take account of the impact of the COVID-19 pandemic on the ECL; and • Testing and challenging the key assumptions and application of ECL loss modelling used for CBILS loans. **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision to be reasonable.

Key Audit Matter	How our scope addressed this matter
Revenue recognition – Constant periodic rate of return assessment as per IFRS 16 / effective interest rate assessment as per IFRS 9 (Advantage and Aspen) (2022: £87.9m, 2021: £83.8m) *Refer to note 1.3 for the accounting policy and note 3 for relevant disclosures.* Recognising income under IFRS 16 for leases on a constant yield basis and IFRS 9 for loans on an effective interest rate (EIR) basis are complex areas that involve judgement. The majority of revenue is system generated but to convert that to a constant yield / EIR basis requires management judgement in relation to the inclusion of directly attributable costs/fees and associated cash flows that require to be spread over the life of the products, with accounting entries generated using complex spreadsheets models. Given the degree of judgement involved in relation to fees directly attributable to each customer agreement we identified that there is a potential fraud through possible manipulation of this balance.	Our audit procedures included, but were not limited to: • Assessing the design and implementation and testing the operating effectiveness of key controls over the constant periodic rate of return on the net investment calculations and over the effective interest rate calculations, including changes to the models and where applicable spreadsheet controls; • Where interest models are automated, testing the related general IT controls and the data input feeds and source systems; • Where interest models are manual, testing the effective interest rate computation for the full portfolio; • Testing the accuracy and completeness of data inputs, including interest rates, outstanding loan balances and directly attributable cost/income by agreeing them to the underlying documentation and source systems; and • Testing and challenging key accounting judgement on the recognition of directly attributable fees and costs. **Our observations** Based on the audit procedures performed, we found the resulting estimate of revenue recognition on a constant yield and effective interest rate basis to be reasonable and consistent with the requirements of IFRS 9 and IFRS 16.

C Independent Auditor's Report to the Members of S&U Plc CONTINUED

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

GROUP MATERIALITY

Overall materiality	£2.4m
How we determined it	5% of profit before tax ('PBT')
Rationale for benchmark applied	We determined materiality using PBT as we considered this to be the most appropriate measure to assess the performance of this profit focused group.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £1.4m, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £71,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

PARENT COMPANY MATERIALITY

Overall materiality	£0.7m
How we determined it	1% net assets
Rationale for benchmark applied	Net assets are used as the basis for materiality because the parent company is primarily a holding company for the trading components of the Group, as such we consider net assets to reflect its holding activities.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £0.4m, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £22,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, the two trading components, Advantage and Aspen, together with the parent company, were subject to full scope audit performed by the group audit team. This provided 100% coverage of group revenue, PBT, total assets and net assets.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

OTHER INFORMATION

The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In 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 material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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 and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

C Independent Auditor's Report to the Members of S&U Plc CONTINUED

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to S&U plc's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 17;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 17;
- Directors' statement on fair, balanced and understandable, set out on page 50;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 17;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 46; and;
- The section describing the work of the audit committee, set out on page 43.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 51, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Financial Conduct Authority ('FCA') regulations and Listing Rules.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;

- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the FCA;
- Reviewing minutes of meetings of the Board of Directors and the Audit Committee held during the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the existence and accuracy assertions), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit Committee, we were appointed by the audit committee on 4 August 2021 to audit the financial statements for the year ending 31 January 2022 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 31 January 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

USE OF THE AUDIT REPORT

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

David Allen (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House, St Katharine's Way, London, E1W 1DD
1 April 2022

The accounts

CONTENTS

D1 The Accounts
D1.1 Group income Statement
For the year ended 31 January 2022

From continuing operations	Notes	2022 £000	2021 £000
Revenue	3	**87,889**	83,761
Cost of sales	4	**(22,891)**	(50,969)
Gross profit		**64,998**	32,792
Administrative expenses		**(14,208)**	(11,096)
Operating profit	6	**50,790**	21,696
Finance costs (net)	7	**(3,772)**	(3,568)
Profit before taxation	2	**47,018**	18,128
Taxation	9	**(9,036)**	(3,482)
Profit for the year attributable to equity holders		**37,982**	14,646
Earnings per share			
Basic	11	**312.8p**	120.7p
Diluted	11	**312.7p**	120.7p

Statement of Comprehensive Income

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Profit for the year attributable to equity holders		**37,982**	**14,646**	**10,113**	**12,719**
Actuarial loss on defined benefit pension scheme	26	**(6)**	**(9)**	**(6)**	**(9)**
Total Comprehensive Income for the year		**37,976**	**14,637**	**10,107**	**12,710**

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

D1.2 Balance Sheet

As at 31 January 2022

Company Registration No: 0342025

	Notes	**Group 2022 £000**	Group 2021 £000	**Company 2021 £000**	Company 2021 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**2,455**	2,713	**199**	256
Investments	13	**–**	–	**1**	533
Amounts receivable from customers	14	**181,614**	170,591	**–**	–
Trade and other receivables	15	**–**	–	**152,000**	130,000
Deferred tax assets	18	**120**	109	**35**	49
		184,189	173,413	**152,235**	130,838
Current assets					
Amounts receivable from customers	14	**141,301**	110,319	**–**	–
Trade and other receivables	15	**1,739**	1,106	**33,701**	41,079
Cash and cash equivalents		**–**	1	**–**	1
		143,040	111,426	**33,701**	41,080
Total assets		**327,229**	284,839	**185,936**	171,918
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	16	**(2,568)**	(1,295)	**(3,147)**	(783)
Trade and other payables	17	**(4,347)**	(2,763)	**(654)**	(205)
Current tax liabilities		**(926)**	(593)	**(116)**	(212)
Lease liabilities		**(174)**	(169)	**(66)**	(63)
Accruals		**(774)**	(658)	**(221)**	(206)
		(8,789)	(5,478)	**(4,204)**	(1,469)
Non-current liabilities					
Borrowings	16	**(111,000)**	(97,500)	**(111,000)**	(97,500)
Lease liabilities		**(243)**	(382)	**(17)**	(83)
Financial liabilities	20	**(450)**	(450)	**(450)**	(450)
		(111,693)	(98,332)	**(111,467)**	(98,033)
Total liabilities		**(120,482)**	(103,810)	**(115,671)**	(99,502)
NET ASSETS		**206,747**	181,029	**70,265**	72,416
Equity					
Called up share capital	19	**1,718**	1,717	**1,718**	1,717
Share premium account		**2,301**	2,301	**2,301**	2,301
Profit and loss account		**202,728**	177,011	**66,246**	68,398
Total equity		**206,747**	181,029	**70,265**	72,416

The parent company's profit for the financial year after taxation amounted to £10,113,000 (2021: £12,719,000)

These financial statements were approved by the Board of Directors on 1 April 2022.

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 2022

Group	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2020		1,715	2,301	175,458	179,474
Profit for year		–	–	14,646	14,646
Other comprehensive income for year		–	–	(9)	(9)
Total comprehensive income for year		–	–	14,637	14,637
Issue of new shares in year		2	–	–	2
Cost of future share-based payments		–	–	75	75
Tax charge on equity items		–	–	(61)	(61)
Dividends		–	–	(13,098)	(13,098)
At 31 January 2021		1,717	2,301	177,011	181,029
Profit for year		–	–	37,982	37,982
Other comprehensive income for year		–	–	(6)	(6)
Total comprehensive income for year		–	–	37,976	37,976
Issue of new shares in year	19	1	–	–	1
Cost of future share-based payments	25	–	–	39	39
Tax charge on equity items	18	–	–	(35)	(35)
Dividends	10	–	–	(12,263)	(12,263)
At 31 January 2022		1,718	2,301	202,728	206,747

Company	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2020		1,715	2,301	68,720	72,736
Profit for year		–	–	12,719	12,719
Other comprehensive income for year		–	–	(9)	(9)
Total comprehensive income for year		–	–	12,710	12,710
Issue of new shares in year		2	–	–	2
Cost of future share-based payments		–	–	72	72
Tax charge on equity items		–	–	(6)	(6)
Dividends		–	–	(13,098)	(13,098)
At 31 January 2021		1,717	2,301	68,398	72,416
Profit for year	8	–	–	10,113	10,113
Other comprehensive income for year		–	–	(6)	(6)
Total comprehensive income for year		–	–	10,107	10,107
Issue of new shares in year		1	–	–	1
Cost of future share-based payments		–	–	39	39
Tax charge on equity items		–	–	(35)	(35)
Dividends		–	–	(12,263)	(12,263)
At 31 January 2022		1,718	2,301	66,246	70,265

D1.4 Cash Flow Statement

For the year ended 31 January 2022

	Notes	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Net cash (used in)/generated from operating activities	22	**(2,094)**	32,940	**(4,047)**	32,561
Cash flows (used in)/from investing activities					
Proceeds on disposal of property, plant and equipment		**93**	103	**–**	9
Purchases of property, plant and equipment		**(377)**	(1,215)	**(24)**	(3)
Net cash (used in)/from investing activities		**(284)**	(1,112)	**(24)**	6
Cash flows from/(used in) financing activities					
Dividends paid		**(12,263)**	(13,098)	**(12,263)**	(13,098)
Issue of new shares		**1**	2	**1**	2
Decrease in investments in dormant companies		**–**	–	**531**	–
Receipt of new borrowings		**25,000**	4,000	**25,000**	4,000
Repayment of borrowings		**(11,500)**	(25,000)	**(11,500)**	(25,000)
(Decrease)/increase in lease liabilities		**(134)**	318	**(63)**	(54)
Net increase in overdraft		**1,273**	1,295	**2,364**	783
Net cash generated from/(used in) financing activities		**2,377**	(32,483)	**4,070**	(33,367)
Net increase/(decrease) in cash and cash equivalents		**(1)**	(655)	**(1)**	(800)
Cash and cash equivalents at the beginning of year		**1**	656	**1**	801
Cash and cash equivalents at the end of year		**–**	1	**–**	1
Cash and cash equivalents comprise					
Cash and cash in bank		**–**	1	**–**	1

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2021: £nil).

D2 Notes to the Accounts

Year ended 31 January 2022

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 the back cover which is also the Group's principal business address. All operations are situated in the United Kingdom. S&U plc is the parent and the ultimate parent company of the group. S&U plc is a listed holding company and within the group the main operations are motor finance and property bridging finance.

1.2 Basis of preparation

As a listed Company we are required to prepare our consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the United Kingdom. We have also prepared our S&U plc Company financial statements in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted by the United Kingdom. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. 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 2022. 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. 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.

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

1.4 Impairment and measurement of amounts receivable from customers

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

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 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.

1. ACCOUNTING POLICIES (CONTINUED)

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. This results in more of our net receivables being in stage 3 and the associated stage 3 loan loss provisions being higher than if we adopted a more prime customer receivables approach of 3 months or more in arrears. Our approach of 1 month or more in contractual arrears is based on our historic observation of subsequent loan performance after our customers fall 1 month or more in contractual arrears within our non-prime motor finance customer receivables book. The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

A PD/LGD model was developed 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 a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures as a result of the Covid pandemic and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2. This is why the volume of customers in Stage 2 increased at 31 January 2021. However, if a customer's payment holiday finished more than 12 months ago and they are unimpaired 12 months later then an account will not be in stage 2 as the customer's post payment holiday record now indicates low risk at the reporting date. This is why the volume of customers in stage 2 reduced at 31 January 2022. As we do not have historical data for such customers, we made an assumption on the loss rates associated with such customers by reference to relevant Stage 3 loss rates. Further sensitivity over this estimation uncertainty is provided in note 1.11.

As required under IFRS9 the expected impact of movements in the macroeconomy is also reflected in the expected loss model calculations. For motor finance, assessments are made to identify the correlation of the level of impairment provision with forward looking external data regarding forecast future levels of employment, inflation, interest rates and used car values which may affect the customers' future propensity to repay their loan. The macroeconomic overlay assessments for 31 January 2022 reflect that further to considering such external macroeconomic forecast data, management have judged that there is currently a more heightened risk of an adverse economic environment for our customers and the value of our motor finance security. To factor in such uncertainties, management has included an overlay for certain groups of assets to reflect this macroeconomic outlook, based on estimated unemployment, inflation and used vehicle price levels in future periods. Further sensitivity over this estimation uncertainty is provided in note 1.11.

D2 Notes to the Accounts CONTINUED

Year ended 31 January 2022

1. ACCOUNTING POLICIES (CONTINUED)

Other than the changes to the approach mentioned above, there were no significant changes to estimation techniques applied to the calculations used at 31 January 2022 and those used at 31 January 2021.

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

Assets in both our secured loan businesses are written off once the asset has been repossessed and sold and there is no prospect of further legal or other debt recovery action. Where enforcement action is still taking place, loans are not written off. In motor finance where the asset is no longer present then another indicator used to determine whether the loan should be written off is the lack of any receipt for 12 months from that customer.

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
Fixtures and Fittings-Computers	20% per annum straight line
Fixtures and Fittings- Other	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. ACCOUNTING POLICIES (CONTINUED)

1.9 Share-based payments

The Company issued 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.

1.10 Investments

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

1.11 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Significant increase in credit risk for classification in Stage 2

The Company's transfer criteria determine what constitutes a significant increase in credit risk, which results in a customer being moved from Stage 1 to Stage 2. As a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2. However, if a customer's payment holiday finished more than 12 months ago and they are unimpaired 12 months later then an account will not be in Stage 2 as the customer's post holiday payment record now indicates low credit risk at the reporting date.

Key sources of estimation uncertainty

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

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

D2 Notes to the Accounts CONTINUED

Year ended 31 January 2022

1. ACCOUNTING POLICIES (CONTINUED)

Macroeconomic overlay for our motor finance business

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

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

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

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

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

1.12 Alternative 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 (ROCE) is calculated as the Operating Profit divided by the average capital employed (total equity plus Bank Overdrafts plus Borrowings less cash and cash equivalents)

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 31.1.22 £000**	Year ended 31.1.21 £000	**Year ended 31.1.22 £000**	Year ended 31.1.21 £000
Motor finance	**78,898**	79,553	**43,682**	17,198
Property bridging finance	**8,991**	4,208	**3,414**	813
Central costs net of central finance income	**–**	–	**(78)**	117
	87,889	83,761	**47,018**	18,128

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

	Assets		Liabilities	
Class of business	**Year ended 31.1.22 £000**	Year ended 31.1.21 £000	**Year ended 31.1.22 £000**	Year ended 31.1.21 £000
Motor finance	**262,458**	250,207	**(131,012)**	(144,036)
Property bridging finance	**64,426**	34,271	**(59,606)**	(32,213)
Central	**345**	361	**70,136**	72,439
	327,229	284,839	**(120,482)**	(103,810)

Depreciation of assets for motor finance was £427,000 (2021: £417,000), for property bridging finance was £21,000 (2021: £18,000) and for central was £81,000 (2021: £86,000). Fixed asset additions for motor finance were £337,000 (2021: £1,198,000), for property bridging finance were £16,000 (2021: £14,000) and for central were £24,000 (2021: £3,000).

The net finance credit for central costs was £2,506,000 (2021: £2,577,000), for motor finance was a cost of £4,394,000 (2021: £5,381,000) and for property bridging finance was a cost of £1,884,000 (2021: £764,000). The tax credit for central costs was £24,000 (2021: £48,000), for motor finance was a tax charge of £8,408,000 (2021: £3,265,000) and for property bridging finance was a tax charge of £652,000 (2021: £169,000).

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.

D2 Notes to the Accounts CONTINUED

Year ended 31 January 2022

3. REVENUE

	2022 £000	2021 £000
Interest and other income from motor finance hire purchase loans	**78,898**	79,553
Interest and other income from property bridging loans	**8,991**	4,208
Total revenue	**87,889**	83,761

All Group revenue relates to revenue with external customers.

4. COST OF SALES

	2022 £000	2021 £000
Loan loss provisioning charge – motor finance	**3,805**	35,995
Loan loss provisioning charge – property bridging finance	**315**	710
Total loan loss provisioning charge	**4,120**	36,705
Other cost of sales – motor finance	**17,266**	13,586
Other cost of sales – property bridging finance	**1,505**	678
Total cost of sales	**22,891**	50,969

5. INFORMATION REGARDING EMPLOYEES

	Group 2022 No.	Group 2021 No.	**Company 2022 No.**	Company 2021 No.
The monthly average number of persons employed by the Group in the year was:				
Motor finance	**173**	166	**–**	–
Property bridging finance	**17**	13	**–**	–
Central	**10**	11	**10**	11
Total Group average number of employees	**200**	190	**10**	11

The monthly average employed by the Company was 10 (2021: 11).

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Staff costs during the year (including directors):				
Wages and salaries	**9,133**	7,626	**1,402**	1,280
Social security costs	**928**	866	**209**	205
Pension costs for defined contribution scheme	**391**	361	**37**	37
Total Staff Costs	**10,452**	8,853	**1,648**	1,522

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.

6. OPERATING PROFIT

	2022 £000	2021 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned assets	**529**	520
Staff costs	**10,441**	8,853
Cost of future share-based payments	**39**	75
(Profit)/Loss on sale of fixed assets	**13**	(13)

The analysis of auditor's remuneration is as follows:

	2022 £000	2021 £000
Fees payable to the Group's auditor for the audit of the Company's annual accounts		
Fees payable to the Group's auditor for other services to the Group	**30**	30
The audit of the Company's subsidiaries	**128**	115
Total audit fees	**158**	145
Audit related assurance services	**25**	25
Other services	**–**	–
Total non-audit fees	**25**	25
Total	**183**	170

7. FINANCE COSTS (NET)

	2022 £000	2021 £000
31.5% cumulative preference dividend	**142**	142
Lease Liabilities	**17**	13
Bank loan and overdraft	**3,613**	3,455
Interest payable and similar charges	**3,772**	3,610
Interest receivable	**–**	(42)
Total Finance Costs (net)	**3,772**	3,568

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 £10,113,000 (2021: £12,719,000).

D2 Notes to the Accounts CONTINUED

Year ended 31 January 2022

9. TAX ON PROFIT BEFORE TAXATION

	2022 £000	2021 £000
Continuing Operations		
Corporation tax at 19.0% (2021: 19.0%) based on profit for the year	**9,129**	3,523
Adjustment in respect of prior years	**(47)**	35
	9,082	3,558
Deferred tax (temporary differences- origination and reversal)	**(46)**	(76)
	9,036	3,482

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.

	2022 £000	2021 £000
Profit on ordinary activities before tax from continuing operations	**47,018**	18,128
Tax on profit on ordinary activities at standard rate of 19.0% (2021: 19.0%)	**8,933**	3,444
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**56**	42
Effects of other tax rates and temporary differences	**94**	(39)
Prior period adjustments	**(47)**	35
Total actual amount of tax	**9,036**	3,482

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax remains at 19%. The Finance Act 2021 confirms an increase of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements.

10. DIVIDENDS

	2022 £000	2021 £000
2nd Interim dividend paid for the year ended 31/1/2021 – 25.0p per Ordinary share (36.0p)	**3,033**	4,363
Final dividend paid for the year ended 31/1/2021– 43.0p per Ordinary share (50.0p)	**5,222**	6,067
1st Interim dividend paid for the year ended 31/1/2022 – 33.0p per Ordinary share (22.0p)	**4,008**	2,669
Total ordinary dividends paid	**12,263**	13,100
6% cumulative preference dividend paid March and September	**12**	12
Credit for unpresented dividend payments over 12 years old	**(12)**	(14)
Total dividends paid	**12,263**	13,098

A second interim dividend of 36.0p per ordinary share for the year ended 31 January 2022 was paid on 11 March 2022 totalling £4.4m and the directors are proposing a final dividend for the year ended 31 January 2022 of 57p per ordinary share totalling £6.9m. The final dividend will be paid on 8 July 2022 to shareholders on the register at close of business on 17 June 2022 subject to approval by shareholders at the Annual General Meeting on Thursday 26 May 2022.

11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £37,982,000 (2021: £14,646,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,142,928 (2021: 12,129,768). There are a total of 5,500 dilutive share options in issue (2021: 17,000) and taking into account the appropriate proportion of these dilutive options the number of shares used in the diluted eps calculation is 12,145,096 (2021: 12,134,619).

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					
At 1 February 2020	1,299	507	1,581	308	3,695
Additions	454	187	147	427	1,215
Disposals	–	(198)	(165)	–	(363)
At 31 January 2021	1,753	496	1,563	735	4,547
Additions	76	71	192	38	377
Disposals	–	(154)	(152)	–	(306)
At 31 January 2022	1,829	413	1,603	773	4,618
Accumulated depreciation					
At 1 February 2020	199	256	1,026	106	1,587
Charge for the year	86	88	219	127	520
Eliminated on disposals	–	(109)	(164)	–	(273)
At 31 January 2021	285	235	1,081	233	1,834
Charge for the year	109	66	195	159	529
Eliminated on disposals	–	(86)	(114)	–	(200)
At 31 January 2022	394	215	1,162	392	2,163
Net book value					
At 31 January 2022	1,435	198	441	381	2,455
At 31 January 2021	1,468	261	482	502	2,713

Included in the above is land at a cost of £22,000 (2021: £22,000) which is not depreciated.

Included in Right to Use assets above, are leases now capitalised under IFRS16 which are depreciated over the normal term of the lease.

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					
At 1 February 2020	42	120	241	251	654
Additions	–	–	3	–	3
Disposals	–	(41)	–	–	(41)
At 31 January 2021	42	79	244	251	616
Additions	–	–	24	–	24
Disposals	–	–	–	–	–
At 31 January 2022	42	79	268	251	640
Accumulated depreciation					
At 1 February 2020	11	86	129	84	310
Charge for the year	1	8	27	50	86
Eliminated on disposals	–	(36)	–	–	(36)
At 31 January 2021	12	58	156	134	360
Charge for the year	–	5	26	50	81
Eliminated on disposals	–	–	–	–	–
At 31 January 2022	12	63	182	184	441
Net book value					
At 31 January 2022	30	16	86	67	199
At 31 January 2021	30	21	88	117	256

Included in the above is land at cost of £22,000 (2021: £22,000) which is not depreciated.

13. INVESTMENTS AND RELATED PARTY TRANSACTIONS

Company	2022 £000	2021 £000
Shares in subsidiary companies		
At historic cost less impairment	**1**	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 and s448a 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), Cash Kangaroo Limited (08435795) and Wilson Tupholme Limited (00101451).

All dormant subsidiaries are directly owned by S&U plc with the exception of Advantage Motor Finance Limited which is 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 £102,000 (2021: £94,500) 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 (2021: £nil). During the year the Group obtained supplies at market rates amounting to £3,508 (2021: £3,693) 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 £10,000,000 (2021: £12,650,000). 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 2022 the Company was owed £185,589,931 (2021: £171,025,884) by other Group undertakings as part of an intercompany loan facility and owed £nil (2021: £nil). All related party transactions were settled in full when due.

14. AMOUNTS RECEIVABLE FROM CUSTOMERS

	Group	
	2022	2021
	£000	£000
Motor finance hire purchase	**350,517**	339,349
Less: Loan loss provision motor finance	**(91,481)**	(92,583)
Amounts receivable from customers motor finance	**259,036**	246,766
Property bridging finance loans	**64,525**	34,475
Less: Loan loss provision property bridging finance	**(646)**	(331)
Amounts receivable from customers property bridging finance	**63,879**	34,144
Amounts receivable from customers total	**322,915**	280,910
Analysis by future date due		
– Due within one year	**141,301**	110,319
– Due in more than one year	**181,614**	170,591
Amounts receivable from customers	**322,915**	280,910
Analysis of security		
Loans secured on vehicles under hire purchase agreements	**254,933**	242,039
Loans secured on property	**63,879**	34,144
Other loans not secured (motor finance where security no longer present)	**4,103**	4,727
Amounts receivable from customers	**322,915**	280,910
Analysis of overdue		
Not impaired		
Neither past due nor impaired	**285,892**	236,602
Past due up to 3 months but not impaired	**–**	–
Past due over 3 months but not impaired	**–**	–
Impaired		
Past due up to 3 months	**25,137**	30,312
Past due over 3 months and up to 6 months	**3,943**	5,717
Past due over 6 months or default	**7,943**	8,279
Amounts receivable from customers	**322,915**	280,910

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good with the exception of 1,688 vulnerable or Covid impacted payment deferral customers who although not in arrears at 31 January 2022 were assessed from a review of internal data to have a significant increase in credit risk (2021: 6,298). Under IFRS9 therefore these customers although not in arrears are included in Stage 2 at 31 January 2022 with an increased impairment provision.

14. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

As at 31 January 2022	Not credit impaired Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Credit impaired Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
Motor finance	**(22,129)**	**(2,769)**	**(66,583)**	**(91,481)**	**350,517**
Property bridging finance	**(446)**	**–**	**(200)**	**(646)**	**64,525**
Total	**(22,575)**	**(2,769)**	**(66,783)**	**(92,127)**	**415,042**

As at 31 January 2021	Not credit impaired Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Credit impaired Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
Motor finance	(14,367)	(12,759)	(65,457)	(92,583)	339,349
Property bridging finance	(313)	–	(18)	(331)	34,475
Total	(14,680)	(12,759)	(65,475)	(92,914)	373,824

Loan loss provisions	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000
At 1 February 2020	13,603	51	50,676	64,330
Net transfers and changes in credit risk restated	(5,051)	11,502	17,014	23,465
New loans originated	6,302	1,219	5,719	13,240
Total impairment charge to income statement	1,251	12,721	22,733	36,705
Amounts netted off revenue for stage 3 assets	–	–	8,891	8,891
Utilised provision on write-offs	(174)	(13)	(16,825)	(17,012)
At 31 January 2021	14,680	12,759	65,475	92,914
Net transfers and changes in credit risk	**(3,144)**	**(7,462)**	**(2,775)**	**(13,381)**
New loans originated	**11,212**	**112**	**6,177**	**17,501**
Total impairment charge to income statement	**8,068**	**(7,350)**	**3,402**	**4,120**
Amounts netted off revenue for stage 3 assets	**–**	**–**	**10,197**	**10,197**
Utilised provision on write-offs	**(173)**	**(2,640)**	**(12,291)**	**(15,104)**
At 31 January 2022	**22,575**	**2,769**	**66,783**	**92,127**

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Amounts owed by subsidiary undertakings	**–**	–	**185,590**	171,025
Other debtors	**300**	168	**11**	5
Prepayments and accrued income	**1,439**	938	**100**	49
	1,739	1,106	**185,701**	171,079

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and, other than £127.0m of intercompany receivables from Advantage Finance Limited (2021: £130.0m) and £25.0m of intercompany receivables from Aspen Bridging Limited (2021: £nil), 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	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Bank overdrafts and loans – due within one year	**2,568**	1,295	**3,147**	783
Bank and other loans – due in more than one year	**111,000**	97,500	**111,000**	97,500
	113,568	98,795	**114,147**	98,283

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 2022:

– a facility for £5 million (2021: £5m) which is subject to annual review in June 2022.

– a facility for £2 million (2021: £2m) which is subject to annual review in March 2022.

Total drawdowns of these overdraft facilities at 31 January 2021 were £998,921 (2021: £1,294,713).

S&U plc had the following revolving credit facilities available at 31 January 2022:

– a facility for £60 million (2021: 60m) which is due for repayment in March 2024.
– a facility for £20 million (2021: £25m) which is due for repayment in March 2025.
– a facility for £50 million (2021: £25m)- £25m of which is due for repayment in March 2024 and £25m of which is due for repayment in April 2026.

S&U plc had the following term loan facilities available at 31 January 2022:

– a facility for £50 million (2021: £25m)- £25m of which is due for repayment in March 2028 and £25m is due for repayment in March 2029.

The bank overdraft and loans are secured under a multilateral guarantee provided by S&U plc and its operating subsidiaries Advantage Finance Ltd and Aspen Bridging Ltd.

The Company is part of the Group overdraft facility and at 31 January 2022 was £3,147,713 overdrawn (2021: £783,244). A maturity analysis of the above borrowings is given in note 21.

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade creditors	**641**	397	**151**	139
Other creditors	**3,706**	2,366	**503**	66
	4,347	2,763	**654**	205

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 2020	(89)	102	81	94
Credit/(debit) to income	3	17	56	76
Credit to equity	–	(61)	–	(61)
At 31 January 2021	(86)	58	137	109
Credit/(debit) to income	(47)	4	89	46
Charge to equity	–	(35)	–	(35)
At 31 January 2022	**(133)**	**27**	**226**	**120**

Company	**Accelerated tax depreciation £000**	**Share based payments £000**	**Shadow Share Options £000**	**Total £000**
At 1 February 2020	(13)	47	–	34
Credit to income	4	17	–	21
Charge to equity	–	(6)	–	(6)
At 31 January 2021	(9)	58	–	49
Credit to income	11	4	6	21
Charge to equity	–	(35)	–	(35)
At 31 January 2022	**2**	**27**	**6**	**35**

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 Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax remains at 19%. The Finance Act 2021 confirms an increase of UK corporation tax rate from 19% to 25% with effect from 1 April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements.

D2 Notes to the Accounts CONTINUED

Year ended 31 January 2022

19. CALLED UP SHARE CAPITAL AND PREFERENCE SHARES

	2022 £000	2021 £000
Called up, allotted and fully paid		
12,145,260 Ordinary shares of 12.5p each (2021: 12,133,760)	**1,518**	1,517
200,000 6.0% Cumulative preference shares of £1 each	**200**	200
Called up share capital	**1,718**	1,717

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.

The 11,500 shares issued during the year relate to issues under the Company's historic LTIP 2010 scheme – see also note 25.

20. FINANCIAL LIABILITIES

Preference Share Capital	2022 £000	2021 £000
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2021: 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 2022 the Group's indebtedness amounted to £113,568,000 (2021: £98,795,000) and the Company's indebtedness amounted to £114,147,000 (2021: £98,283,000). The Group gearing was 54.9% (2021: 54.6%), 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 2022 of £69.0m (2021: £32.5m). 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 2022 was estimated to be 25% (2021: 27%). The average effective interest rate of financial liabilities of the Group at 31 January 2022 was estimated to be 4% (2021: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2022 was estimated to be 4% (2021: 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 2022 (2021: 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 2022 would decrease/increase by £0.4million (2021: decrease/increase by £0.4million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.4million (2021: 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 2022 would decrease/increase by £0.9million (2021: decrease/increase by £0.8million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.9million (2021: 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 2022 the Group gearing level was 54.9% (2021: 54.6%) which the directors consider to have met their objective.

Although Advantage have not sold insurance products in recent years, they are required to hold a regulatory minimum capital figure of £5000 in this regard. Throughout the year this Company has maintained a capital base greater than this requirement.

21. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities 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 (2021: £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 under 55% results in a positive liquidity position.

Group **At 31 January 2022**	**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	**141,301**	**57,566**	**124,048**	**–**	**–**	**322,915**
Other assets	**–**	**–**	**–**	**–**	**4,314**	**4,314**
Cash at bank and in hand	**–**	**–**	**–**	**–**	**–**	**–**
Total assets	**141,301**	**57,566**	**124,048**	**–**	**4,314**	**327,229**
Shareholders' funds	**–**	**–**	**–**	**–**	**(206,747)**	**(206,747)**
Bank overdrafts and loans	**(2,568)**	**–**	**(61,000)**	**(50,000)**	**–**	**(113,568)**
Lease liabilities	**(174)**	**(128)**	**(115)**	**-**	**-**	**(417)**
Financial liabilities	**–**	**–**	**–**	**(450)**	**–**	**(450)**
Other liabilities	**–**	**–**	**–**	**–**	**(6,047)**	**(6,047)**
Total liabilities and shareholders' funds	**(2,742)**	**(128)**	**(61,115)**	**(50,450)**	**(212,794)**	**(327,229)**
Cumulative gap	**138,559**	**195,997**	**258,930**	**208,480**	**–**	**–**

Group **At 31 January 2021**	**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	110,319	52,879	117,712	–	–	280,910
Other assets	–	–	–	–	3,928	3,928
Cash at bank and in hand	1	–	–	–	–	1
Total assets	110,320	52,879	117,712	–	3,928	284,839
Shareholders' funds	–	–	–	–	(181,029)	(181,029)
Bank overdrafts and loans	(1,295)	(25,000)	(72,500)	–	–	(98,795)
Lease liabilities	(169)	(161)	(221)	–	–	(551)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(4,014)	(4,014)
Total liabilities and shareholders' funds	(1,464)	(25,161)	(72,721)	(450)	(185,043)	(284,839)
Cumulative gap	108,856	136,574	181,565	181,115	–	–

21. FINANCIAL INSTRUMENTS (CONTINUED)

Company At 31 January 2022	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	–	–	102,000	50,000	33,936	185,936
Cash at bank and in hand	–	–	–	–	–	–
Total assets	–	–	102,000	50,000	33,936	185,936
Shareholders' funds	–	–	–	–	(70,265)	(70,265)
Bank overdrafts and loans	(3,147)	–	(61,000)	(50,000)	–	(114,147)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(66)	(17)	–	–	–	(83)
Other liabilities	–	–	–	–	(991)	(991)
Contingent liabilities	–	–	–	–	–	–
Total liabilities and shareholders' funds	(3,213)	(17)	(61,000)	(50,450)	(71,256)	(185,936)
Cumulative gap	(3,213)	(3,230)	37,770	37,320	–	–

Company At 31 January 2021	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	–	25,000	105,000	–	41,917	171,917
Cash at bank and in hand	1	–	–	–	–	1
Total assets	1	25,000	105,000	–	41,917	171,918
Shareholders' funds	–	–	–	–	(72,416)	(72,416)
Bank overdrafts and loans	(783)	(25,000)	(72,500)	–	–	(98,283)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(63)	(66)	(17)	–	–	(146)
Other liabilities	–	–	–	–	(623)	(623)
Contingent liabilities	(511)	–	–	–	–	(511)
Total liabilities and shareholders' funds	(1,357)	(25,066)	(72,517)	(450)	(73,039)	(172,429)
Cumulative gap	(1,356)	(1,422)	31,061	30,611	(511)	(511)

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

Group At 31 January 2022	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	2,568	–	–	–	–	2,568
Trade and other payables	–	4,347	–	–	–	4,347
Tax liabilities	–	926	–	–	–	926
Accruals and deferred income	–	774	–	–	–	774
Borrowings	–	–	–	61,000	50,000	111,000
Lease liabilities	–	174	128	115	–	417
Financial liabilities	–	–	–	–	450	450
At 31 January 2022	2,568	6,221	128	61,115	50,450	120,482

21. FINANCIAL INSTRUMENTS (CONTINUED)

Group At 31 January 2021	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	1,295	–	–	–	–	1,295
Trade and other payables	–	2,763	–	–	–	2,763
Tax liabilities	–	593	–	–	–	593
Accruals and deferred income	–	658	–	–	–	658
Borrowings	–	–	25,000	72,500	–	97,500
Lease liabilities	–	169	161	221	–	551
Financial liabilities	–	–	–	–	450	450
At 31 January 2021	1,295	4,183	25,161	72,721	450	103,810

Company At 31 January 2022	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	**3,147**	**–**	**–**	**–**	**–**	**3,147**
Trade and other payables	**–**	**654**	**–**	**–**	**–**	**654**
Tax liabilities	**–**	**116**	**–**	**–**	**–**	**116**
Accruals and deferred income	**–**	**221**	**–**	**–**	**–**	**221**
Borrowings	**–**	**–**	**–**	**61,000**	**50,000**	**111,000**
Lease liabilities	**–**	**66**	**17**	**–**	**–**	**83**
Financial liabilities	**–**	**–**	**–**	**–**	**450**	**450**
At 31 January 2022	**3,147**	**1,057**	**17**	**61,000**	**50,450**	**115,671**

Company At 31 January 2021	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	783	–	–	–	–	783
Trade and other payables	–	205	–	–	–	205
Tax liabilities	–	212	–	–	–	212
Accruals and deferred income	–	206	–	–	–	206
Borrowings	–	–	25,000	72,500	–	97,500
Lease liabilities	–	63	66	17	–	146
Financial liabilities	–	–	–	–	450	450
At 31 January 2021	783	686	25,066	72,517	450	99,502

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	Group 2022 £000	Group 2021 £000	**Company 2022 £000**	Company 2021 £000
Operating Profit	**50,790**	21,696	**7,584**	10,190
Finance costs paid	**(3,772)**	(3,610)	**(146)**	(147)
Finance income received	**–**	42	**2,652**	2,724
Tax paid	**(8,749)**	(6,662)	**(93)**	(14)
Depreciation on plant, property and equipment	**529**	520	**81**	86
Loss/(profit) on disposal of plant, property and equipment	**13**	(13)	**–**	(4)
(Increase)/decrease in amounts receivable from customers	**(42,005)**	20,840	**–**	–
(Increase)/decrease in trade and other receivables	**(633)**	367	**(14,622)**	19,583
Increase/(decrease) in trade and other payables	**1,584**	(363)	**449**	32
Increase in accruals	**116**	57	**15**	48
Increase in cost of future share based payments	**39**	75	**39**	72
Movement in retirement benefit asset/obligations	**(6)**	(9)	**(6)**	(9)
Net cash used from operating activities	**(2,094)**	32,940	**(4,047)**	32,561

23. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2022 the Group had £122,707 capital commitments contracted but not provided for (2021: £nil). At 31 January 2022, the Company had no capital commitments contracted but not provided for (2021: £nil).

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 2022 was £nil (2021: £511,469).

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 2022	Number Of Share Options 2021
LTIP 2010		
Outstanding at beginning of year	**17,000**	30,667
Granted during the year	**–**	4,000
Lapsed during the year	**–**	(4,000)
Exercised during the year	**(11,500)**	(13,667)
Expired during the year	**–**	–
Outstanding at end of year	**5,500**	17,000
Exercisable at end of year	**–**	5,000

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 £23.56 (2021: £16.39).

The weighted average remaining contractual life of the outstanding share options is 2 months (2021: 5 months).

The Group recognised total share-based payment expenses for LTIP of £39,000 in the year to 31 January 2021 (2021: £75,000).

LTIP 2010 is now over 10 years old and no further grants can be made under that LTIP. Further to a review by the Remuneration Committee a new LTIP allowing shadow share options, which can only be cash settled and therefore do not dilute current shareholders, was approved by the AGM in May 2021(LTIP 2021).

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 2019. At that valuation it was assumed that the appropriate post retirement discount rate was 1.36% and pension increases would be 3.6% 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 2022. 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 2023 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 2019 and updated to 31 January 2022 by a qualified independent actuary. The valuation method used was the projected unit method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2022	At year end 31 January 2021
Rate of increase in salaries	**Na**	Na
Pension increases:		
Pre-97 Pension	**0.0%**	0.0%
Post 97 Pension	**4.0%**	3.2%
Discount rate	**2.1%**	1.1%

Mortality assumption for 31 January 2022 comes from the S3PA tables with CMI-2020 1.25% long term trend and for 31 January 2021 mortality assumption was from the S2PA tables with CMI-2019 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 2022	Proportion held at 31 January 2021
Equities	**62%**	45%
Bonds	**22%**	27%
Cash/Other	**16%**	28%
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 22 £000	Jan 21 £000
Fair value of plan assets	**1,141**	1,100
Present value of defined benefit obligations	**(483)**	(536)
Surplus before restriction	**658**	564
Restriction on Surplus	**(658)**	(564)
Pension asset	**0**	0

The amount recognised in the income statements during the year

	Jan 22 £000	Jan 21 £000
Current service cost	**–**	–
Interest on obligation	**6**	7
Expected return on plan assets	**(12)**	(16)
Expense recognised in the income statement	**(6)**	(9)
Opening net (asset)	**–**	–
Expense	**(6)**	(9)
Contributions paid	**–**	–
Actuarial loss	**6**	9
Closing net (asset)	**0**	0

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

Movement in present value of obligation	Jan 22 £000	Jan 21 £000
Present value of obligation at 1 February	**536**	538
Interest cost	**6**	7
Current service cost	**–**	–
Benefits paid	**(41)**	(41)
Actuarial (gain)/loss on obligation – assumptions	**(28)**	21
Actuarial loss on obligation – experience	**10**	11
Present value of obligation at 31 January	**483**	536
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	**1,100**	1,123
Expected return on plan assets	**12**	16
Contributions	**–**	–
Benefits paid	**(41)**	(41)
Actuarial gain on plan assets	**70**	2
Fair value of plan assets at 31 January	**1,141**	1,100
Experience adjustment on assets		
Actuarial (gain)/loss as percentage of scheme assets	**6%**	0%

Five Year Record (Unaudited)

	2018 IAS39 £000	2019 IFRS9 £000	2020 IFRS9 £000	2021 IFRS9 £000	**2022** **IFRS9** **£000**
Continuing Operations Only					
Revenue	79,781	82,970	89,939	83,761	**87,889**
Cost of Sales	(17,284)	(15,751)	(19,872)	(14,264)	**(18,771)**
Impairment	(19,596)	(16,941)	(17,220)	(36,705)	**(4,120)**
Administrative Expenses	(9,923)	(11,177)	(12,863)	(11,096)	**(14,208)**
Operating profit	32,978	39,101	39,984	21,696	**50,790**
Finance Costs (net)	(2,818)	(4,541)	(4,850)	(3,568)	**(3,772)**
Profit before taxation	30,160	34,560	35,134	18,128	**47,018**
Taxation	(5,746)	(6,571)	(6,252)	(3,482)	**(9,036)**
Profit for the year	24,414	27,989	28,882	14,646	**37,982**
Assets employed in all operations					
Fixed assets	1,931	2,062	2,108	2,713	**2,455**
Amounts receivable and other assets	263,262	278,751	303,973	282,126	**324,774**
	265,193	280,813	306,081	284,839	**327,229**
Liabilities	(112,377)	(115,446)	(126,607)	(103,810)	**(120,482)**
Total equity	152,816	165,367	179,474	181,029	**206,747**
Earnings per Ordinary share	203.8p	233.2p	239.6p	120.7p	**312.8p**
Dividends declared per Ordinary share	105.0p	118.0p	120.0p	90.0p	**126.0p**
Group gearing	68.7%	65.3%	65.7%	54.6%	**54.9%**

"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		26 May 2022
ANNOUNCEMENT OF RESULTS	Half year ending 31 July 2022 Year ending 31 January 2023	27 September 2022 March 2023
PAYMENT OF DIVIDENDS	6% Cumulative Preference Shares	30 September 2022 & 31 March 2023
	31.5% Cumulative Preference Shares	31 July 2022 & 31 January 2023
	Ordinary Shares – 2021/22 final	8 July 2022
	– Ex dividend date	16 June 2022
	– Record date	17 June 2022
	– 2022/23 first interim	November 2022
	– 2022/23 second interim	March 2023

ANNUAL GENERAL MEETING ARRANGEMENTS

The Annual General Meeting will take place on 26 May 2022 – 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)
T G Wheeler	(CEO Advantage Finance)
J E C Coombs MA (Oxon) ACA	(Director)
D Markou MBE FCA	(Non-executive)
G Pedersen	(Non-executive)
T Khlat	(Non-executive)
J P Maxwell	(Non-executive)

SECRETARY

C H Redford ACA

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