Measured Momentum

S&U EST.1938
THE CREDIT YOU DESERVE

Annual Report and Accounts
for the Year ended 31 January 2023

Welcome

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 **250,000** customers. In just six years, Aspen our new property bridging business has transacted over **£350m** in secured loans.

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:

TEAMWORK

In any business the guardians of integrity are its people, and their common pursuit of the highest standards.

RESPECT

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.

UNDERSTANDING

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

SERVICE

This is both the product and the proof of our understanding and respect for our customers, each other and our neighbours.

TRUTH

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.

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 250,000 customers since 1999.

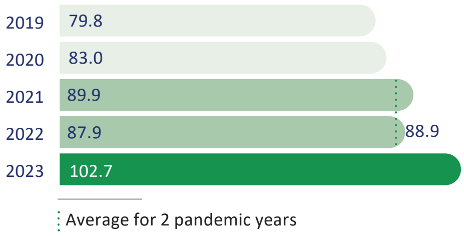
ASPEN BRIDGING

Property Bridging Finance

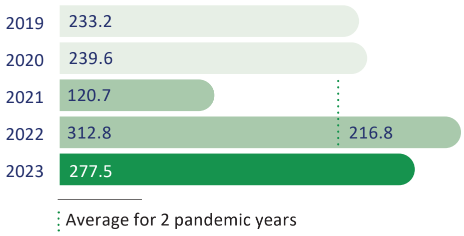
Launched in early 2017 and growing steadily after successful pilot phase.

Financial highlights

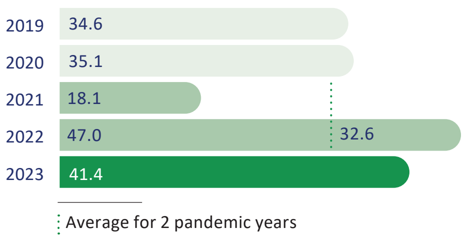
Revenue (£m)



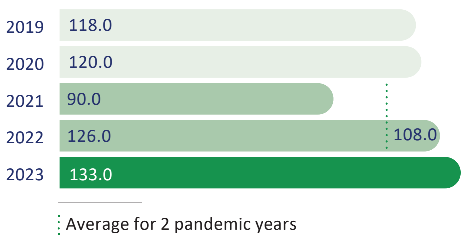
Basic EPS (p)



Profit before tax (£m)



Dividend Declared (p)



Find us online at
www.suplc.co.uk

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Strategic Report

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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 65,000 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. As active members of the Finance and Leasing Association (FLA), and with representation on the FLA Board, deputy chair of the Motor Finance Division, and chair of the Credit Risk Committee, we punch above our weight in terms of shaping our industry.

Based in Grimsby, Advantage employs over 200 people, and working closely with most of the UK's motor finance Brokers, we have provided hire purchase finance for over 250,000 customers across our great country. We operate within the non-prime sector and have built an outstanding reputation and track record in terms of service to our business partners and customers alike. Funding is invested wisely through a hugely experienced and skilled management team, the majority of whom have been with the company since its inception 23 years ago.

"The response to firstly the Covid-19 pandemic and subsequently the Cost of Living crisis by Advantage has been remarkable. Advantage has thrived as we have focussed on modernising our business, mitigating our market risk, and developing our systems, processes and market appeal. We firmly believe that despite the enormous successes of Advantage's past, that the true success story for Advantage is in its future. We are stronger now than we have ever been, and are well placed to seize opportunities to continue the success story of our business."

Graham Wheeler
Chief Executive

Property Bridging Finance

Aspen Bridging is now entering its 7th 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 loan products that has a good reach across the market for 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 £900,000. Aspen has continued 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 to turn to in the bridging market. As members of the ASTL and FIBA along with promoting our lending propositions at key industry events, Aspen has won its third industry award at the Bridging and Commercial awards with a product of the year. Aspen has continued to develop the team of 23 with highly skilled and experienced staff. During the year, Aspen has successfully expanded the customer acquisition channels via new broker networks, added to the dedicated broker development team and returned, post the pandemic, to the key industry forums and financial showcasing events supporting continued expansion of the business. Aspen continues on its journey towards being a significant contributor to the future of the Group.

"2022 has seen Aspen go from strength to strength with our customer and broker relationships. In evolving and testing new niche products we are reaching a wider borrower audience and strengthening our customer and broker relationships. We continue to focus on delivering a fast, consistent and reliable service for both new and returning customers which is a great testament to the team. We will remain vigilant as always, tuned in to where the bridging and wider market is in 2023 but take quality lending opportunities when they are there. With the talent that we have in the Aspen team, the right product appeal in the market and a focused determination to succeed we believe that Aspen will continue to build a successful bridging lending business."

Ed Ahrens
Managing Director

A1 Chairman's Statement

"I am confident that our focus, our expertise and our experienced team will enable us to take advantage of the emerging opportunities that this year will bring."

Anthony Coombs
Chairman

£41.4m

Profit before tax ("PBT")
(2022: £47.0m)

£102.7m

Revenue
(2022: £87.9m)

I am very pleased to report that my optimism of last year and my then "quiet but determined confidence" in S&U's future has been vindicated by this year's excellent results. Despite the maelstrom of a European war, political upheaval in Britain and rising inflation, taxation and interest rates, S&U has produced profit before tax of £41.4m, fully 27% up on the average of the last two pandemic years, and the highest 'normalised' profit in its over eighty-year history.

Revenue for the year was £102.7m (2022: £87.9m) and group equity has grown by 9% to a record £224.9m. At 31 January 2023, group total assets reached £428m for the first time, up by just over £100m in the year and by nearly 40% on pre-pandemic levels. As I predicted a year ago, S&U is indeed "primed for a new era of profitable growth".

Although conscious of its wider societal obligations, S&U's primary obligations are to our shareholders, our staff and our customers. For shareholders, this is reflected this year in basic earnings per share this year of 277.5p, which is 22% up on the average of the past four years. Staff numbers continue to grow; we are proud to have Gold Investor in People status at Advantage Finance, have become a Real Living Wage employer and have taken steps to ameliorate current cost of living pressures on our staff. Service to our customers is reflected both in their number – a record 65,200- and in the longstanding relationships we enjoy with them.

Financial Highlights**

Profit before tax ("PBT"):	£41.4m	(2022: £47.0m*)
Revenue:	£102.7m	(2022: £87.9m)
Earnings per share ("EPS")	277.5p	(2022: 312.8p*)
Group net assets:	£224.9m	(2022: £206.7m)
Group gearing:	85.5%	(2022: 54.9%)
Group total collections:	£311.9m	(2022: £294.3m)
Dividend proposed:	133p per ordinary share	(2022: 126p)

* The profit for 2021/2022 was enhanced by a lower than normal loan loss provision charge which reflected the lower use of impairment provisions made in the previous Covid-affected financial year. The average annual profit before tax in the two pandemic years to 31 January 2022 was £32.6m and earnings per share averaged 216.8p.

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

The results we are reporting are all the more creditable given the UK's current economic performance and its still gloomy, although possibly brightening, economic outlook. UK GDP continues to teeter on recession. There was no growth in the fourth quarter of 2022 and, almost uniquely in Europe, the UK economy is still smaller than it was before the Covid pandemic. As has been evident over the past 12 years, productivity is feeble in the UK and is unlikely to increase substantially since the current government lacks a clear and robust growth strategy. Recent governments have vacillated between the fiscal incontinence of last year and the hair shirt philosophy of the current administration. None have espoused the regulatory, public sector and tax simplification reforms so essential for rebooting the economy.

Nevertheless, despite all this, S&U has recently seen very strong demand for its products particularly at Advantage. Indeed, UK economic prospects may be brightening as, although from historically low levels, consumer confidence is improving. Some commentators have reduced their forecast for inflation from 18% in 2022 to just 2.8% by November. Public finances have recently seen a £30 billion improvement whilst the government surplus in January alone was £5 billion. More pragmatic voices on the Bank of England monetary policy committee are arguing that the declining energy price shock and the lag effects of recent interest rate rises might mean current monetary policy could be more effective in bringing down inflation than expected.

A1 Chairman's Statement

CONTINUED

This optimism is evident in the sectors in which S&U operates. Despite low consumer confidence generally, and although still constrained by supply, the used car market remains robust. Whilst prices rose year on year by 11% to mid-2022, as supply increased this rise is now around 3% per annum. Indeed the average price of a used car has risen from £9,000 in 2011 to £17,600 in 2022. Whilst not overstating current consumer confidence, customers are reacting to cost of living pressures pragmatically and in ways which favour the products S&U offers.

Thus, whilst in 2012 just 23% of used car sales were on finance, this is now 45% (Autotrader). The number of people searching for online finance is up 28% on pre-pandemic levels. Although transactions in 2022 have not yet reached pre-Covid levels, the market remains buoyant. This is most graphically illustrated at Advantage where loan applications have reached over 2.5m for the first time this year.

These trends have enabled Advantage to attract high-quality customers and larger average loan sizes (£7,800 now against £6,400 three years ago). Moreover, as was seen in 2007–2009 in the "Great Financial Crisis", near prime customers are being rationed and restricted by "mainstream" finance providers, enabling Advantage to attract them at sensible rates of return.

The housing market upon which Aspen depends both for transaction volumes and loan security, continues to be stronger than anticipated, despite rising borrowing costs and the upheaval in the money markets of last autumn. Whilst house prices have fallen slightly over the past six months this appears now to be stabilising. Indeed ONS statistics for December show annual price growth still 10% against a peak of 12% earlier in the year. Even allowing for an average 5% price deflation predicted for 2023, this would imply a cumulative increase over two years of just under 5% which further underpins Aspen's conservatively written collateral. This conservatism gives S&U the confidence to continue to invest in Aspen's new receivables book.

In sum, the relative buoyancy of the markets which S&U serves, coupled with careful, experienced and watchful underwriting has allowed us to continue to build our customer base and receivables books. This has been done in a responsible and sustainable way, storing up future profits whilst guarding against any further economic downturn in an uncertain world.

> "The relative buoyancy of the markets which S&U serves, coupled with careful, experienced and watchful underwriting has allowed us to continue to build our customer base and receivables books."
>
> **Anthony Coombs**
> Chairman

Advantage Finance ("Advantage")

Advantage Finance, our motor finance business proudly based in Grimsby, has again produced near record results. Profit before tax is at £37.2m which is not only 22% above the last two years' Covid average, but is the highest 'normalised' profit ever. Advantage's future prospects are grounded in a record number of new transactions in the year at just under 24,000; net receivables have therefore now reached over £300m for the first time. Advantage now serves a record 65,200 customers.

Prudence and commercial logic both dictate that Advantage use the very significant demand for its products to focus on excellent customers who, buttressed by careful underwriting, good payment headroom and responsive customer relations, will ensure good repayments even in more uncertain times. Hence this year, particularly in the second half, has seen the introduction of slightly larger, longer term and competitively priced loans which have attracted near prime customers new to Advantage, which we anticipate will have benefits for Advantage's already enviable book quality.

Quality was also boosted by Advantage's habitually conservative Credit Committee and its underwriting. The business has sensibly adjusted its affordability buffers throughout the year in line with the rising cost of living, as well as its interest margins to account for rising operating and finance costs.

Nevertheless, attracting good customers in ever larger numbers is not simply a matter of price. It also depends on accurately targeted marketing. Here the Advantage team has been substantially strengthened by new advisors, by in-house recruitment and by a rebranding project which, directly and digitally, will improve every aspect of Advantage's communication with existing and new customers.

£102.7m
Group Revenue
(2022: £87.9m)

£224.9m
Group Net Assets
(2022: £206.7)

IT improvements are reinforcing this. Voice analytics, specialist vehicle valuations, a new direct customer repayment portal, an improved website and a smoother e-signature onboarding process, are just some of the initiatives the ever restless and perfectionist Advantage teams are working on.

Of course, the ultimate arbiter of well-designed products and responsible credit policies is the quality of collections and customer satisfaction. On these two metrics Advantage scores very highly. In collections Advantage had an excellent year producing live repayments at a record £161.8m (2022: £152.7m). Advantage's collections as a percentage of due reached 93.6% which beat both budget and last year.

Moreover, on record net receivables of nearly £307m, bad debts and voluntary terminations were actually significantly under budget.

On customer satisfaction, Advantage's ratings on Trust Pilot reached a record 4.7 out of 5.

Both these achievements are testament to responsible underwriting, and more particularly to Advantage's understanding and fair treatment of its customers and its embracing of its duty of care to its customers, well before it is mandated to do so later this year by the Financial Conduct Authority.

Whilst enjoying close links with our Regulators, both directly and through the Finance and Leasing Association where Advantage's CEO, Graham Wheeler, plays a prominent role, Advantage does operate in a highly – and increasingly – regulated industry. The formal Consumer Duty introduced later this year for all financial services companies focuses on actual, rather than anticipated, customer outcomes, particularly for borrowers in financial difficulty. Advantage is proud of its near 25-year history of customer service and has responded by certifying a development plan and by embarking upon a 41 point action list, which will also be monitored by S&U's internal auditors and by its Audit Committee.

Although some may argue that the new Consumer Duty attempts to lay on lenders' responsibilities for future events inevitably beyond their control, and which, to an extent, replicates existing statutory duties of care to customers, S&U endorses the Duty for ethical and competitive reasons. Undoubtedly, those financial firms which best communicate their methods and products to their customers will gain their trust, their loyalty and their commitment – all values intrinsic to S&U's Mission Statement. As I have consistently pointed out, ultimately good business is always good business.

As a consequence, Advantage has always maintained regular and cordial relations with the FCA. This year this is particularly focused on making sure that assessments of both credit worthiness and affordability are robust in an inflationary climate. Advantage anticipated these trends by regular reviews of its underwriting throughout the year. Indeed, it is this monitoring and maintaining of the subtle balance between prudent underwriting and competitively pricing products which has been the bedrock of Advantage's success over the past 25 years.

This is also why Advantage sees the Consumer Duty giving a significant competitive advantage to businesses which maintain the very high standards of which they have been so rightly proud over the past 25 years.

A1 Chairman's Statement

CONTINUED

In sum, a winning combination of a healthy market, intelligent underwriting, efficient processes and empathetic customer relations have been rewarded at Advantage by very good financial results. They are outlined in the business review within my strategic report below.

Finally, the credit for this outstanding performance must go to all those who work so hard and conscientiously at Advantage. Whilst adapting to hybrid working, many have inevitably faced personal and financial challenges and I pay tribute to them all. Particular mention must go to a dynamic and enthusiastic board of directors, brilliantly led by Graham Wheeler whose talents are recognised both at Advantage and throughout the motor finance industry. It is in the commitment and energy of them all, that I place my confidence in Advantage's exciting and enduring future.

Aspen Bridging

Aspen, our property bridging finance business based now in expanded office space in Solihull, has produced a sparkling set of results. Profit before tax is up no less than 31% to £4.46m, a record, and net receivables have increased by £50m to £113.9m. Whilst transaction numbers rose by a more modest 10% this was the result of a deliberate move towards larger, higher quality loans with experienced borrowers. Thus, the average loan size rose by 11% and average blended yields were above budget.

The housing market against which 95% of Aspen's collateral is secured, is undoubtedly slowing both due to Base Rate increases from 0.25% to 4% in the year, and also to wider cost of living pressures. Whilst the recent Bank of England Mortgage and Lending Report reveals more households than ever in Britain having significant equity in their properties, house prices are expected to fall an average 5% this year, whilst transaction numbers may reduce further. However, Aspen has repositioned towards higher quality, less mortgage-dependent borrowers and towards higher value properties. This is expected to insulate the business against wider market fluctuations. Over the past year Aspen has prudently increased its interest rates, tightened further already conservative valuations and reduced LTVs. In mid-year the average gross LTV for new business was 74%; it is now 66%.

This conservative approach is also reflected in Aspen's loan loss provisioning charges which increased to £1.0m this year (2022: £0.3m), although the business only incurred one actual loss during the year of £80,000. Each loan underwritten in Aspen involves secondary independent assessment and a rigorous valuation exercise including a physical inspection of the property by Aspen staff – something which is rare in the industry.

A strong loan book also depends upon providing products which are tailored to individual customers. Aspen is able to provide a bespoke service to borrowers as well as being fleet of foot in the service it offers. Quarterly reviews of staff productivity are held and new products considered. For instance, this year saw Aspen's Bridge to Let product win new product of the year at the Bridging and Commercial awards. It went on to comprise £22.8m of Aspen's £134m advances this year.

Aspen runs a tight ship but a growing business requires more and properly trained staff. Remuneration costs therefore rose this year by 26% compared to a 44% rise in revenue. Staff numbers are now 21 against 18 a year ago. All new staff members are expected to undertake CPD training and several have now obtained RICS and legal qualifications. Fortunately, the local universities, particularly Aston University, Birmingham, provide a regular supply of highly talented and motivated individuals from a diverse local community.

Aspen's small team is characterised by hard work, growing experience and imagination and these qualities together with a strong track record provide the background for S&U's investment of a further £50m in the business this year. I am confident that this will be reflected in continually improving returns for the Group.

Dividends

Whilst acknowledging our responsibilities to wider stakeholders, S&U has always felt a primary responsibility to its shareholders. We fulfil this by regular engagement, and by distributing the rewards of the company success with them; this implies our normal practice of a 50% distribution of post-tax profits in dividends. This year the vacillations of our government over future corporation tax rates have clouded these decisions. Therefore, in the light of an EPS of 277.5p per share the board proposes to recommend, subject to the approval of our shareholders at our AGM on the 25 May 2023, a final dividend of 60p (2022: 57p) per Ordinary Share. This final dividend will be paid on 7 July 2023 to shareholders on the register on 16 June 2023. This will mean that total dividends this year will be 133p per share (2022: 126p).

Funding and Treasury

A successful and growing business requires significant investment. Over the past year excellent lending opportunities amongst good quality customers have augmented Advantage's and Aspen's natural growth: S&U has therefore invested just under £79m in net borrowings to finance a receivables book which has grown by £98m. Net group borrowings therefore now stand at £192m. Group medium-term facilities were increased in the autumn from £180m to £210m and, as previously usual, more will be arranged as the business develops. A rapidly increased Bank Rate has been budgeted for, not only in our usual budgets but in our longer-term projections. Current signs hint that such a view might happily prove conservative.

Nevertheless S&U plans to maintain a prudent Treasury policy. Gearing still stands at 86% (2022:55%), well within covenanted levels. The experience and expertise of Chris Redford, our Group Finance Director, and the finance teams at Advantage and Aspen will ensure that this remains so.

Governance and Regulation

I will not repeat my concerns of a year ago on the importance of financial regulation being proportionate, clear and not inhibiting a vigorous and competitive free enterprise system. By harnessing the basic instincts of communities and individuals to improve themselves and their families, it is this free enterprise system – not one based on state control and intervention – which has transformed living standards over the entire period of S&U's existence.

But today too often this is taken for granted. New regulations, Codes of Practice and "guidance" are never ceasing. Moreover, the government spends at least half of the country's resources. Taxation is at its highest level since 1946. Such is the suspicion of the profit motive that detailed regulation of every customer transaction is deemed essential both ab initio and throughout the customer relationship.

Tragically, the gyrations and misfortunes of the current government have done nothing to reverse these trends. There are three serious consequences. First it destroys incentives- not just for the wealthy but for the aspirational and much maligned middle-class who find themselves paying higher rates of tax on the same real income.

Second, regulation can inhibit innovation. The financial services industry, Advantage included, needs to be careful that this year's mandated focus on the new Consumer Duty regime does not lead to postponement of new products and innovation which would have also benefited customers.

Third, intervention and regulation enfeeble the economy and restricts economic growth. Last year a further £74bn was "invested" in the ever-growing public sector where productivity is both significantly less than in the private sector, and may even in some areas be negative. Public sector output is still 7.4% below pre-pandemic levels. This is a significant cause of Britain's decades-long decline in productivity.

On a day to day level however, S&U and Advantage in particular continue to enjoy positive relations with their regulators. Advantage's preparations for the Consumer Duty are well advanced, as is its Development Plan. Meanwhile, Advantage's industry body, the Finance and Leasing Association upon which two of our executives sit, continues to lobby for a more consistent and coordinated legislative and regulatory regime.

More broadly, S&U continues to engage closely with the Environmental, Social and Governance (ESG) agenda which arguably encapsulates much of the suspicion of free enterprise to which I referred earlier. However, S&U is formally adopting policies which both common sense and our company values require of any good citizen. These, as the relevant sections of our strategy report show, will concentrate in particular on targets to minimise or mitigate our CO2 emissions.

Of course, good citizenship involves more than just 'green issues'. S&U has a vibrant community and charity programme through the KC Trust which over its 10-year history has contributed nearly am pounds to smaller charities, which are reliant on their own voluntary fundraising and mainly work with children and young adults with both physical and learning disabilities. Above all, we give where it will really make a difference.

Finally, it gives me great pleasure to welcome Ed Ahrens, managing director of Aspen Bridging, to the S&U board. Ed has a wealth of experience in the banking and credit card sectors, joined us in 2015 and has since been instrumental in creating and leading the team which is making Aspen Bridging such a success. His appointment is just reward for his wise and energetic contribution to the Group.

Current Trading and Outlook

"In a world still full of uncertainty, change and cloying pessimism, clarity of purpose and vision is more crucial than ever. A former Chairman of Jaguar Motors put it succinctly: "the absolute fundamental aim is to make money out of satisfying customers". Current trading is good and I am confident that our focus, our expertise and our experienced team will enable us to take advantage of the emerging opportunities that this year will bring."

Anthony Coombs
Chairman

6 April 2023

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 firstly, that the report fully covers areas of relevant disclosure such as on Strategy, Employees, Stakeholders, Suppliers, Customers, Community and Ethics and 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 have set up an ESG committee under my chairmanship to progress these important matters.

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 23 years the remarkable success of Advantage in producing competitive finance products, lent responsibly with excellent customer service has been reflected, in a near perfect (two covid years apart) record of consistently increased annual 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 over 2m unique applications a year and has written over 230,000 customer loans since starting trading in 1999. The loans have an average original term of just under 5 years. This year the Financial Conduct Authority produces one of the biggest overhauls of its regulatory approach to the financial services industry for many years. In addition to the now aged Consumer Credit Act, a raft of secondary legislation and regulatory controls over the past 20 years have now all been encapsulated in the new Consumer Duty regime.

This "paradigm shift" represents a major part of the FCA's 2022 – 2025 strategy and extends the principle of consumer protection from their initial treatment, including underwriting, communication and product design, to a wider concern with "good outcomes for retail customers". At present these outcomes are inevitably undefined and, given the longevity of some finance agreements, will be difficult to both interpret and monitor in the future.

However, Advantage will responsibly embrace the new Consumer Duty. First, because it is right to do so and second, since it will give well organised companies like Advantage a commercial advantage over those who are not.

The success of Advantage, our motor financier, depends as ever upon three fundamental strengths. First, is the enduring reliability of the UK motor market. Enduring does not mean unchanging, since 2022 actually saw used car sales fall in the UK by 13% compared to 2021, the year the market was bouncing back from Covid.

New car registrations in early 2022 also restricted the used cars available for sale. However, the market seems to be rebounding. Used car sales so far in 2023 have increased by 8% on last year with prices rising by 2.7% year on year so far.

Longer term, recent Auto Trader figures recorded consumer demand for the independence and flexibility of car ownership unhindered by a perceived decline in the quality of public transport, as being the strongest for 4 years.

Nevertheless the used car market is not homogeneous, The Government set ambitious targets for a ban on the sale of new internal combustion engine cars by 2030, to be replaced by electric vehicles and hybrids. Although Advantage agrees that the proportion of electric vehicles in the UK "car parc" is expected to reach 30% by 2030, electric vehicle sales have recently been weaker than expected. Whilst supply has grown, used EV prices have fallen for 5 consecutive months as demand, concerned at the paucity and efficiency of public charging points, has slowed. For these reasons and for reasons of affordability, electric vehicles do not currently fit well with their customer demographic, although this will change as the used EV market evolves.

Advantage's second strength is its experienced, sensitive and sophisticated under-writing. Backed by ever more customer historical information; Advantage uses this forensically to analyse the likely circumstances of actual and potential customers. This year it has added a third Credit Reference Agency and obtained even more granular household information which it will be using to improve its already sophisticated customer affordability process.

Advantage's third great strength is to recognise that supplying the right product to reach the customer at the right time is just part of its service. It also collects its payments responsibly. Advantage has always regarded its relationship with its customers as a partnership. This involves understanding the more sensitive and frequently changing circumstances of those in the non-prime sector. Whilst the UK labour market remains strong, rising cost of living pressures mean that well intentioned customers occasionally require knowledgeable assistance, particularly should their financial buffers reduce. Collectors at Advantage produce excellent results by being trained and empathetic to the needs of their customers. Collecting and default figures demonstrate this and underpin our responsibility under Consumer Duty and are integral to Advantage's commercial success.

Whilst lending is on a fully secured basis, debt quality at Aspen, our property bridging lender also relies on the experience and reliability of the borrower as much as on the value of the property being financed. Notwithstanding this, under pressure from the cost of living and rising interest rates the housing market in the UK has undoubtedly slowed over the past year. A Midland Estate Agent recently reported that whilst in the summer of 2022 it took 12 weeks for the average house sale, that figure is now nearer 50. National house prices have fallen over the past 5 months and the consensus for 2023 is a fall of 5%.

Aspen values its security properties very conservatively and keeps gross LTV's to an average 70% and the business now only considers experienced borrowers from the top three quality bands. Such caution is justified. Refinances are slower and mortgage lenders are more risk adverse; these make borrower exits more drawn out. Aspen has therefore sensibly allowed for slightly more subdued lending levels for the first few months of the year as the market stabilised.

"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 and instability 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.

An 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 2023 £m	Year ended 31 January 2022 £m
Revenue	**102.7**	87.9
Cost of Sales – Impairment	**(13.9)**	(4.1)
Cost of Sales – Other	**(23.6)**	(18.8)
Gross Profit	**65.2**	65.0
Administrative Expenses	**(16.3)**	(14.2)
Operating Profit	**48.9**	50.8
Finance Costs (Net)	**(7.5)**	(3.8)
Profit before Taxation	**41.4**	47.0
Taxation (note 10 in the accounts)	**(7.7)**	(9.0)
Profit after Taxation	**33.7**	38.0

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 1.13 to the financial statements.

Advantage Motor Finance

- PBT £37.2m (2022: £43.7m and 2021: £17.2m).
- New transactions increased to 23,922 (2022: 19,747) at £7,799 average advance (2022: £7,138)
- Revenue up 14% to £89.8m (2022: £78.9m)

A2 Strategic Report

CONTINUED

- Impairment at £12.9m (2022: £3.8m and 2021: £36.0m) continued good quality after increase and decrease of two pandemic years
- Administrative expenses increased by 17% including increased variable and fixed rewards for staff facing cost of living increases
- Net receivables at yearend up 18% to £306.8m (2022: £259.0m)
- ROCE at 15.7% (2022: 19.4% and 2021: 8.6%) (note 1.13)

Amidst the travails of UK economic performance, Advantage again proved the resilience of its business model and the quality of its loan book and customer relations by achieving a profit before tax of £37.2m up 22% on the average result for the two previous years. Receivables grew strongly during the year as the business continued to attract high quality customers and larger average loan sizes. Collections continued to perform well and bad debts and voluntary terminations were fewer than anticipated leading to impairment charges for the year which were also lower than anticipated.

Alongside this excellent trading performance, Advantage have prepared thoroughly for the formal consumer duty to be introduced later this year and have made suitable changes to their affordability buffers in line with the rising cost of living. The business has continued to improve its IT capabilities and has improved its marketing which has been bolstered by new advisers, in house recruitment and rebranding to improve our communication with existing and new customers.

Aspen Property Bridging Finance

- PBT at £4.5m (2022: £3.4m)
- 148 new transactions (2022: 135) at £905k average gross advance (2022: £812k)
- Revenue up 44% to £12.9m (2022: £9.0m)
- Tightened valuations and reduced loan to values anticipating forecast 5% house price fall in 2023
- Net receivables at yearend up to £113.9m (2022: £63.9m).
- Book quality good and only one actual loss of £80,000 during year

Aspen's sparkling set of results benefitted from Aspen's deliberate move towards larger, higher quality loans with experienced borrowers. Aspen continued to develop their broker network and their products during the year and were pleased that their Bridge to let product won new product of the year at the Bridging and Commercial Awards.

Aspen further widened its range of increasingly supportive and loyal brokers, further tightened its valuation and underwriting processes and still insists that every property upon which Aspen lends for security is personally visited by a member of the team.

Aspen has also accommodated its growing workforce by expanding into custom designed offices next to S&U's Head Quarters in Solihull.

A2.3 Funding and Balance Sheet Review

S&U has a strong balance sheet which has facilitated the group total assets growing during the year from £327.2m to £428.2m to take advantage of excellent lending opportunities. As a result, gearing increased from 55% to 86% which is still low for a financial services group. S&U net group borrowings are £192m within S&U's medium-term facilities in place of £210m with its excellent, loyal and constructive banking partners. These were augmented by £30m in Autumn 2022. It is anticipated that as growth trends become clearer, in what is still a very uncertain macro-economic climate, then these facilities will be further augmented.

A2.4 Principal Risks and Uncertainties

Whilst Corporate Governance guidelines, and the loan loss provisioning insisted upon by International Financial Reporting Standards require macro-economic forecasts, both Covid, the recovery from it, current inflationary trends and a continuing 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; in fact growth only reached 4% that year. For 2023 the consensus is that Britain teeters on recession with GDP growth for the year predicted at less than 0.5%. Against such an uncertain background, S&U has maintained its historically cautious attitude in its three-year 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, both of our businesses operate solely in the UK and 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 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, mainly 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 is aware of current less stable banking markets but due to its facility maturities and low gearing should be relatively unaffected by this. 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. However, current interest rate levels have prudently been expected to continue throughout this year in our budgeting assumptions.

A2.4.3 Legal, Regulatory and Conduct Risk

The Group is subject to legislation including consumer credit legislation which contains very detailed and highly technical requirements. To fulfil its responsibilities in this area, 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 at Advantage 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, by RSM and by Shoosmiths, Advantage's specialist lawyers.

Alan Tuplin is Chief Risk Officer of Advantage 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.

This year Advantage has prepared for the Consumer Duty regime by setting up a small executive working party charged with an Implementation Plan which was agreed by the Advantage Board in November 2022.

To comply with the Duty by the 31st July 2023, the plan must be monitored and its outcomes managed. To this end the plan's operation will be overseen by a new Consumer Experience Manager who will ensure that it is reviewed regularly, and upper most in the minds of all committees throughout Advantage.

The Consumer Experience Manager will in turn report to Alan Tuplin, Chief Risk Officer.

Finally it is hoped that, as pointed out in The Chairman's Statement, that the interpretation by the FCA of its powers under the new duty is proportionate and promotes innovation and enterprise. In turn, this should recognise that the moral and commercial interest of firms in creating and maintaining good and responsible long term relationships with their customers are identical. The bedrock for this relationship lies in the rigour of Advantage's underwriting. This emphasises product design, credit worthiness assessments which are continually updated – particularly during the current pressures on the cost of living – good affordability and in particularly Advantage's obligation to the small minority who are occasionally Borrowers in Financial Difficulty. The latter is currently rightly a focus for the FCA.

Advantage's very strong record on these matters is clearly and comprehensively set out in the "Fair Value Assessment" of its HP products and their value for our customers, which will be submitted to the FCA as part of the Consumer Duty preparations.

Given Advantage's compliance record and the detailed operations above it is to be hoped that, in turn, the FCA will ensure an absolute consistency of purpose and interpretation between itself and other regulators, particularly the Financial Ombudsman Service. Fair and effective regulation does require co-ordination and consistency.

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. 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, which during the year were determined by the Audit Committee to be operating effectively.

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 as Vice-Chairman of 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 2023 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 2023 to consider as required if they had 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 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 2023.

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 STUDY

Our Customers

Mr F

Mr F is a 55 year-old homeowner, working for the government for 32 years. Mr F currently takes home £1862 each month.

We received an application from Mr F as an existing customer requesting finance for the purchase of an Audi Q5. We were able to provide an offer of finance within 48 hours of receiving the application. The assessment included a full appraisal of the customer's existing credit and a separate affordability assessment which confirmed the loan was affordable.

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

> "I can't believe I got this level of professionalism from the person who helped me within this organisation. Thank you for your friendly approach and understanding from the team member who helped me thank you very much you're a real professional."

CASE STUDY

Our Customers

Mrs G

We received an application for finance from Mrs G a homeowner of 27 years, who works in the retail industry. Mrs G was a previous customer of Advantage, settling her account in August 2022 and her take home pay was £1059 per month. Mrs G requested finance to purchase a Citroen Berlingo van.

Mrs G's application was subjected to our creditworthiness and affordability assessments resulting in an offer of finance being provided subject to a satisfactory review of her payslips and work contract. We carried out the review, then our assessment on the vehicle at which point we were able to offer her the finance she requested.

Mrs M agreed a price of £9588 with a deposit of £3148 leaving the sum of £6450 to be financed over 60 months at a payment of £186.83, which was considered comfortably within her monthly budget.

We received some very positive feedback from Mrs G, describing her positive experience with Advantage acknowledging the improvement in her credit file. The following comments are part of a 5 star review:

"The only thing I have to say about Ellie and the team is that they were very helpful, informative, processed my application extremely quickly and most of all very friendly which made things easy to sort and I will definitely deal with your company in the future, many thanks".

CASE STUDY

Our Customers

Mr D

We received an application for finance through one of our broker partners for an existing Advantage customer who was looking to upgrade his current vehicle. Mr D had two previous agreements with Advantage which were paid without fault.

Mr D was employed as a Class 1 HGV driver and was living as a private tenant.

Mr D was looking to purchase a Vauxhall Insignia and trading his existing vehicle. Although we carried out our usual credit assessment and affordability checks and enabled him to pursue his financial objectives by offering the full finance required on the replacement car and the settlement of the previous one. Mr D was happy with the offer of finance which allowed him to pay the instalments over 60 months at an affordable £300 per month.

Mr D was very pleased with the service and took the time to post a complimentary 5-star review on an online platform.

"Ellie was outstanding. So much knowledge and extremely easy to talk to. Makes understanding the process very easy. And her execution of the finalising the deal was exemplary. Makes you feel as if you are talking to a mate rather than just someone over the phone. She's a credit to Advantage. Thanks very much. Love the car."

CASE STUDY

Our Customers

"Aspen vastly exceeded expectations regarding speed, flexibility and responsiveness. Very impressed all round, we'll certainly work with them again."

Borrower feedback

A last-minute change of security properties and a deadline to refinance during postal strikes did not stop Aspen Bridging completing a £2.1m Bridge-To-Let (BTL) loan within three weeks.

The developer was nearing the end of their current Development Finance deal and the client sought a bridging solution to complete the finishing touches and sell the newly-built detached six-bedroom house in Twickenham, London for maximum value.

CASE STUDY

Our Customers

"We found dealing with Aspen and the underwriting team to be a refreshingly straightforward process. The lender worked with us to meet our client's requirements, both in providing the level of funds needed and also comfort with the options to exit. We were delighted to meet our client's expectations; nothing was too much trouble for Aspen and we would happily consider working with them again."

Broker feedback

Aspen Bridging has completed a £1.5m Development Exit loan which will allow a property developer extra time to complete their latest project.

The newbuild, which comprises of eight apartments in Windsor, Berkshire, was substantially delayed during the Covid pandemic and, despite best efforts, remained behind schedule.

The bridge took just 17 days from application to completion and was over a 12-month term.

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. 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 saw two staff members gain MRICS and legal 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.

At Advantage in addition to regular external management and specialist training, significant use is made of the Government's apprenticeship schemes. At present 8 staff members are so engaged. Four at level 3 business administration and digital support and four member at Level 5 leadership and Management. Last year one person broke local records by completing every exam and assessment with distinction!

The FCA Regulatory regime is now centred on our duty to the Customer. All employees within the Group are required to demonstrate appropriate knowledge and skills particularly in customer facing roles. Annual appraisals highlight areas of training needs for all employees. Advantage Finance is also an accredited Silver 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. We are proud to enjoy high levels of customer satisfaction. Last year our FIFO rating was 4.7 out of 5. In 2022 67 out of 86 complaints were decided by the Financial Ombudsman Service in Advantage's favour. In the year to 31 January 2023 73% of complaints which reached and were decided by the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2022: 57%) 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, S&U plc channels its philanthropic activities through The Keith Coombs Trust which this year celebrates its 11th 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 £109,500 to these charities. In total, the past 11 years will have seen donations of over £1m to charity.

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.

This year S&U plans to involve more staff within the Group in active volunteering; Aspen are currently investigating the development of a "volunteer" programme with Marie Curie cancer care both in Solihull and more widely.

Finally, S&U is pleased to announce its support for the Tax Payers Alliance, a non-political charitable organisation committed to ensuring efficient and effective government in the tax payers interest.

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, 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. In addition this year all staff working at Head Office will be offered a professional Red Cross First Aid Course.

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, age and stated emissions of the vehicles Advantage finances. 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 twenty years as the market changes.

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, will increasingly reflect our customers environmental responsibilities.

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

A4.4a Governance

An ESG and 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, scope 2 and scope 3 business travel 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 1, scope 2 and scope 3 business travel emissions, which we are not at present able to reduce to zero, S&U plc group have for the year 1.2.22 to

A4 Corporate Social Responsibility

CONTINUED

31.1.23 engaged Carbon Neutral Britain to measure, calculate and offset the organisation's carbon footprint. Our group emissions for the year in scope, 1, scope 2 and scope 3 business travel emissions are 114t CO2e as shown in the table in A4.4d below. These emissions have been offset with Carbon Neutral Britain via their Woodland fund which supports Climate Fund, Reforestation, Deforestation Prevention and Woodland Management Projects, with a strong focus on having a positive impact on the local wildlife, ecology and biodiversity.

The Group has also made progress in identifying opportunities to manage other indirect scope 3 emissions associated with the loan assets we finance for our customers. In our motor finance business the average CO2 emissions of the cars and vans we finance reduced from 131CO2 g/km last year to 129 CO2 g/km this year and by working with customers and other companies in our supply chain we are looking to accelerate this reduction. We are also monitoring the requirements of TCFD as it is adapted to comply with the International Sustainability Standards Board (ISSB) who announced in October 2022 that they will require and also provide further guidance for companies to consistently apply these other indirect scope 3 requirements.

In order to assess the resilience of the Group's strategy, we have identified 2 climate scenarios being:

1. the global temperature increase is kept to below 2 degrees, or
2. climate change mitigation is slower and the global temperature increases by 2 to 4 degrees.

The Group has considered the risks relevant to each of these climate scenarios over the short, medium and long term, being the next year, the next 3 years and the next 5 years and beyond respectively.

Scenario 1

The risks the Group has identified under this climate scenario are mainly indirect over the long term, where stricter regulations and taxes to help keep global temperatures lower are applied in the UK and affect the used vehicle

and property finance products which can be supplied to our customers and/or our customers' affordable use and enjoyment of those products. The UK Government is committed to banning the sale of new diesel and petrol cars from 2030 with an opt out for some plug-in hybrids and we will continue to monitor this commitment and associated developments ahead of this date alongside the availability and affordability of used electric vehicles, in order to refine our strategy in a sustainable way for our customers.

Scenario 2

The risks the Group has identified under this climate scenario include the indirect risks over the long term mentioned for Scenario 1 as the UK makes change but global temperatures still rise further. Scenario 2 also includes more medium and long term direct risks too such as the increased flood and weather risk to our office buildings and to properties financed – these risks are mitigated by insurance and wider operational risk is mitigated by the business continuity plans we have in place.

The Group has assessed its strategy as resilient for the likely risk events arising under these two scenarios, with a minimal expected impact on the business.

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. Climate risk is an emerging risk but it is not currently considered a significant risk for the Group.

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 and where that is not fully possible offset them. Solar panels on our office buildings in Grimsby and electric company vehicles are examples of where we have managed to reduce energy usage this year.

The Group is keen to progress further 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. The climate related risks and opportunities we have identified as potentially having a material financial impact on the Group are as follows:

Risks with potential material financial impact	Related Opportunity	Planning Horizon
1. Potential for increased UK regulation and taxes affecting motor vehicles and their affordability for our loan customers	Continue to align our products in advance to meet evolving customer preferences and affordability in the light of planned regulatory and tax changes	Medium and Long Term
2. Potential for increased UK adverse weather events or natural disasters affecting operations and properties	Continue to maintain and improve appropriate insurance and business continuity procedures	Short, Medium and Long term

The potential financial impact of these risks and opportunities on the group would be reflected in the potential for reduced revenue or increased expenditure.

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 2022 to 31 January 2023

	Tonnes CO_2	
	Year ended 31 Jan 2023	Year ended 31 Jan 2022
Scope 1 (Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	**27**	51
Gas consumption	**15**	21
Scope 2 (Energy indirect emissions)		
Purchased electricity (location based)	**37**	48
Electric vehicle energy usage	**5**	–
Total Scope 1 and 2	**84**	120
Scope 3 (Other indirect emissions)		
Business travel not using owned/leased vehicles	**30**	–
Water consumption	**–**	1
Waste	**–**	2
Total Scope 1,2 and 3 (business travel)	**114**	123
Company's chosen intensity measurement: Normalised tonnes scope 1, 2 and 3 CO_2e per £m turnover	**1.1**	1.4

For the year ending 31 January 2023 we achieved the target of below 1.8 normalised tonnes per £m turnover.

For the year ending 31 January 2024 we are targeting below 1.3 normalised tonnes per £m turnover.

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 2022 conversion factors within our reporting methodology. The emissions for year ended 31.1.23 were verified by Carbon Neutral Britain.

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.

The Directors confirm that under listing rule 9.8.6R (8) (a) we have included in the above report disclosures consistent with the 2017 Final TCFD Recommendations and Recommended Disclosures.

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

6 April 2023

Corporate Governance

In this section

B1 Board of Directors

Anthony Coombs
MA (OXON)

Chairman

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. Anthony is a director and trustee of a number of companies and charities.

N

Graham Coombs
MA (OXON) MSC (LON)

Deputy Chairman

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

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.

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 Chris was appointed as Group Finance Director with effect from 1 March 2004.

Graham Wheeler

CEO Advantage Finance

Graham brings over 40 years experience in motor finance across consumer and business lending, much of it in a senior leadership role. 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 fourth year of leading its successful motor finance subsidiary Advantage Finance. Graham also influences the industry as a Director of the FLA, and as the Deputy Chairman of the FLAs's Motor Finance Division.

Ed Ahrens

CEO Aspen Bridging

Ed has been in banking and speciality finance for over 30 years having started his career at Abbey National and working in senior roles for Barclays, AIB and being a founding executive director of Vanquis Bank. Ed joined the S&U Group in 2014 then became Group Strategic Development Director before leading the development of Aspen Bridging as Managing Director since the launch of the business in 2017.

Tarek Khlat MBE

Non-Executive

Tarek has over 25 years of experience in financial services and he co-founded Crossbridge Capital, where he is currently Group CEO leading the firm's businesses that serve the wealth management needs of high-net-worth clients globally. Prior to this he held leading roles in financial services with Credit Suisse and JP Morgan and in journalism with CNN and Fox News. 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 Queen Elizabeth II in 2021.

N A R

Graham Pedersen

Non-Executive

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.

N A R

Jeremy Maxwell

Non-Executive

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.

N A R

Demetrios Markou FCA MBE

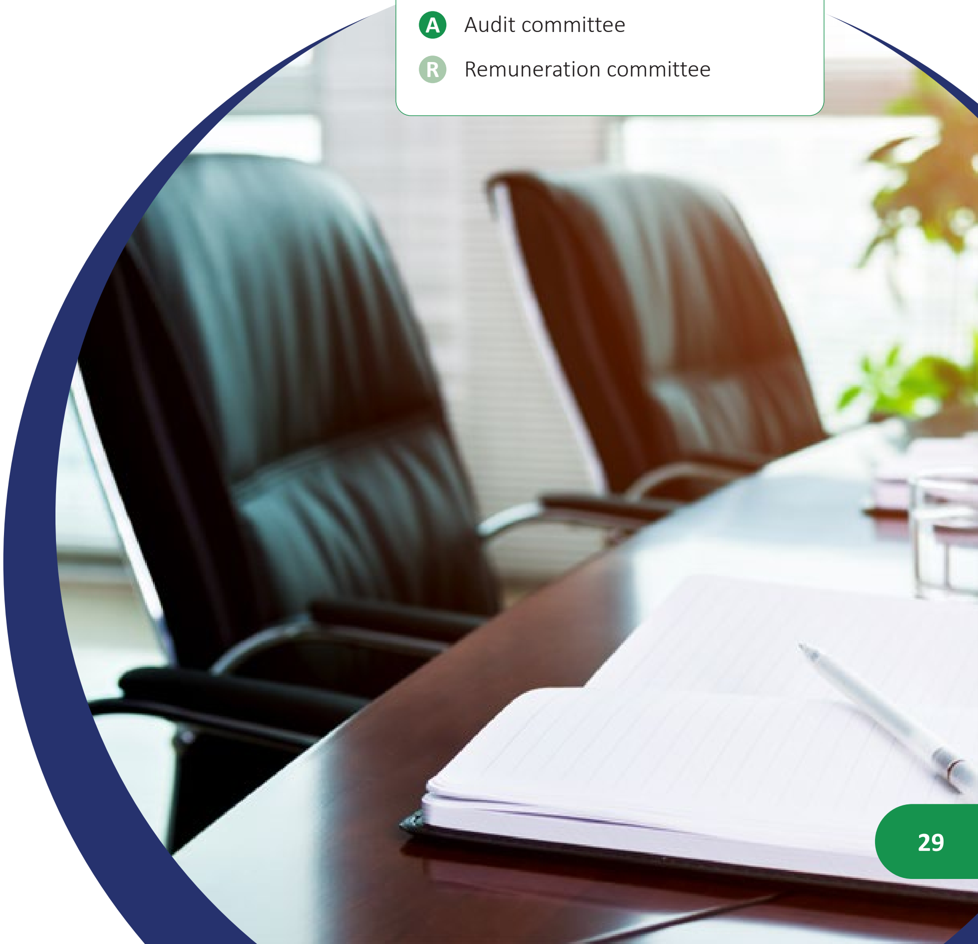
Non-Executive

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

N A R

Key

- N Nominations committee
- A Audit committee
- R Remuneration committee



B2 Directors' Remuneration Report

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

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

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2023.

S&U continues to trade well despite a period of economic and political chaos, unprecedented in most of our lifetimes. A change of governments and of economic strategy, rising inflation, taxation and interest rates and a nascent recession is not exactly the ideal economic landscape for any business.

Nevertheless, trading has been very good at Advantage, focussing on the excellent quality of customer relationships and the receivables which are derived from them, together with further expansion of Aspen, all underpin the good year for the company during these uncertain times. As a result Group profit before tax is £41.4m for the year ended 31 January 2023 which is 6% up on budget and compares to an average during the 2 previous pandemic years of £32.6m group profit before tax (2020/21: £18.1m; 2021/22: £47.0m).

This year's annual Directors' Remuneration Report sets out how the Remuneration Policy was applied during the year ended 31 January 2023 and provides details of amounts earned in respect of the year ended 31 January 2023. It also sets out how the Remuneration Committee has decided the Remuneration Policy will be operated for the year commencing 1 February 2023. The Remuneration Policy is planned to be updated at least every 3 years and was last updated in 2021 and published in full in the 2021 Annual Report. A copy of the Remuneration Policy can be found in the About us Governance section on our website at www.suplc.co.uk

2022/23 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.

Group profit before tax moved from an average of £32.6m in the two main pandemic years to an impressive £41.4m this year (2020/21: £18.1m; 2021/22: £47.0m). This result derives from good collections and strong receivables growth in both companies during the year, partly offset by increased funding costs and inflation – related overhead increases. The Committee noted that this result would not have been possible without the hard work, leadership, focus and strength of the executive team at S&U as well as the overall resilience of the Company. We have taken this into account in the decisions taken regarding salaries and bonuses, whilst at the same time maintaining good discipline in our policies on remuneration.

Against a backdrop of a continued shortage of used cars, Advantage advanced 23,922 new motor finance agreements (2022: 19,747). As last year, our collections team have continued to work diligently to support customers and overall collections performed strongly during the year ended 31.1.23. 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 sixth year of operation, Aspen Bridging made 148 new loan facilities lending nearly £134m. From the 517 new loan facilities made since its inception in 2017, Aspen has so far received 376 repayments and of the 141 bridging loans still live at 31.1.23 only 4 were >60 days overdue and only 1 was in repossession. 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" – see definition in note 1.13), the Remuneration Committee judged the level at which the annual bonus payments should be made. Group Profit Before Tax ("PBT") for the year increased by 27% on the average of the 2 previous years to £41.4m and ROCE was 13%. This was significantly above the PBT target level of £39.0m. Therefore, the Remuneration Committee determined that for the financial year 2022/23 bonuses equivalent to the maximum target annual bonus opportunity of £50,000 each would be awarded to Anthony Coombs and Graham Coombs and £50,000 to Chris Redford which represented target performance but was below the maximum potential annual bonus for Chris Redford of £75,000, given the stretch bonus target of £42.9m group PBT was not reached.

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 2022 Chris Redford was granted 6,000 shadow share options under the 2021 LTIP, as disclosed in last year's Directors Remuneration Report. The Remuneration Committee determined that 6,000 of these shadow share options vested with reference to performance during the year ended 31 January 2023 based on group PBT being above the group PBT stretch target level for shadow share options of £40.95m.

Graham Wheeler

The Committee have considered Graham's management of the Advantage Finance team in light of the significant challenges in consumer motor finance arising from the political and economic environment, and the excellent Advantage PBT result of £37.2m for the year ended 31 January 2023. The Committee judged the level at which the annual bonus payment should be made. For the financial year 2022/23 a bonus of £75,000 was awarded to Graham Wheeler for achieving stretch targets.

In May 2022 Graham Wheeler was granted 6,000 shadow share options under the new LTIP, as disclosed in last year's Directors Remuneration Report. The Remuneration Committee determined that 6,000 of these shadow share options vested with reference to performance during the year ended 31 January 2023 with reference to the underlying profit performance of Advantage and achievement against the stretch PBT and ROCE based targets set for that year.

Jack Coombs

The Committee have considered Jack's significant contribution to the continued growth of Aspen Bridging, including excellent growth during the year ended 31 January 2023, helping Aspen Bridging achieve a record profit before tax of £4.5m. The Committee judged the level at which the annual bonus payment should be made. For the financial year 2022/23 a bonus of £25,000 was awarded to Jack Coombs.

Key remuneration decisions and related matters for the year ending 31 January 2024

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 and for the year ended 31 January 2023 salary increases were in the range 3.75% to 5.5% except where exceptional circumstances merited a higher increase. This was in line with pay review decisions for the wider workforce during these periods. The Remuneration Committee has now agreed salary increases for the year ended 31 January 2024 in the range 1.3% to 3.3% except where exceptional circumstances merited a higher increase, as noted below. This is below the average increases given to the wider workforce which averaged 9.0% in a difficult inflationary cost of living environment for our employees. After a review of market comparables, and after his excellent performance as an executive director of our growing Aspen Bridging subsidiary, it was decided to award Jack Coombs a salary increase of 9% for the year ended 31 January 2024.

For the year ending 31 January 2024, where the targets levels of performance set are achieved, the annual bonus has been set at £60,000 for Anthony Coombs and Graham Coombs, £50,000 for Graham Wheeler and Chris Redford and £30,000 for Ed Ahrens* and Jack Coombs. Where the performance targets set are exceeded, the Remuneration Committee has the discretion to pay an increased annual bonus based on stretch performance targets to each of Graham Wheeler, Ed Ahrens and Chris Redford 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

Corporate Governance

B2 Directors' Remuneration Report

CONTINUED

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 5,000 shadow share options under the 2021 LTIP to Graham Wheeler, subject to achieving certain stretch Advantage PBT and ROCE targets for the year ending 31 January 2024. The Committee intends to grant 3,000 shadow share options under the 2021 LTIP to Ed Ahrens*, subject to achieving certain threshold Aspen PBT and ROCE targets for the year ending 31 January 2024.The Committee also intends to grant 5,000 shadow share options under the 2021 LTIP to Chris Redford, subject to achieving certain stretch group PBT targets for the year ending 31 January 2024.

* Ed Ahrens was appointed a director of S&U plc on 14 February 2023 (after the 31 January 2023 yearend).

For the year ending 31 January 2024, 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 2.7% to £38,000 and for the senior non-executive director increased by 2.5% to £40,000 for the year ended 31 January 2024. Fees had previously been frozen for the year ended 31 January 2022 at the same level as for year ended 31 January 2021 and for the year ended 31 January 2023 had been increased by 4.2% for the non-executive directors and 4.0% for the senior non-executive director.

The Remuneration Committee believes that an element of the executive remuneration should be linked to non-financial KPIs that align with the Company's purpose and long-term strategy, particularly around the Company's governance structures and environmental impact. The Company is in the process of developing and implementing its sustainability strategy and the Remuneration Committee will continue to develop clear and measurable non-financial KPIs to be included in executive remuneration, factoring in externalities linked to the overall strategy. Environmental, Social and Governance factors have become critical to good business practice and are tied to the success and long term sustainability of organisations across all sectors. As a result, the Remuneration Committee is considering how best these can be incorporated, measured and linked to the overall strategy and purpose of the Company. Members of the Remuneration Committee are part of the newly formed Environmental, Social and Governance Committee (ESG Committee) within the Company, whose purpose is to support the Company's ongoing commitment to environmental stewardship, health and safety, corporate social responsibility, corporate governance and sustainability as relevant to the company. The Remuneration Committee, alongside the ESG Committee, will therefore consider how the Company can most appropriately link an element of the executive remuneration to such goals in a way that is clear and measurable going forwards to ensure executives are incentivised to ensure the Company is committed to achieving its long term sustainability goals.

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 25 May 2023.

Tarek Khlat
Chairman of the Remuneration Committee

6 April 2023

B2.2 ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2023. 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 2023 was £10,800. 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 47 of this Annual Report.

Single Figure Tables (this section is subject to audit)

B2 Directors’ Remuneration Report

CONTINUED

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 2023, together with comparative figures for the year ended 31 January 2022:

	Anthony Coombs £000		Graham Coombs £000		Chris Redford £000		Graham Wheeler £000		Jack Coombs* £000	
Executive Directors	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Salaries and fees	374	360	358	345	245	232	300	250	110	80
Allowances and benefits	82	79	34	35	22	22	13	16	1	1
Pension Contribution	0	0	0	0	36	34	30	25	16	12
Total Fixed	**456**	439	**392**	380	**303**	288	**343**	291	**127**	93
Bonus	50	30	50	30	50	50	75	50	25	10
Shadow Share Incentive	0	0	0	0	128	137	128	137	0	0
Total Variable	**50**	30	**50**	30	**178**	187	**203**	187	**25**	10
Total	**506**	469	**442**	410	**481**	475	**546**	478	**152**	103

* 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.
** Ed Ahrens was appointed a director of S&U plc on 14 February 2023 (after the 31 January 2023 yearend) and so no remuneration is shown in the single figure table.

	Demetrios Markou £000		Graham Pedersen £000		Tarek Khlat £000		Jeremy Maxwell* £000		Fiann Coombs** £000	
Non-executive Directors	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**2021/22**
Salaries and fees	39.0	37.5	37.0	35.5	37.0	35.5	37.0	1.4	0	11.8
Total	**39.0**	37.5	**37.0**	35.5	**37.0**	35.5	**37.0**	1.4	**0**	11.8

* Jeremy Maxwell was appointed a non-executive 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.
** Fiann Coombs resigned as a non-executive director of S&U plc on 20 May 2021. No remuneration was paid for 2022/23.

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 pages 30 and 31. The Remuneration Committee determined that no part of any bonus paid for the year ended 31 January 2023 would be deferred.
Share incentive plans (LTIP)	For the year ended 31 January 2023 figures for the value of nil cost options vesting in respect of performance under the share incentive plans have been calculated as follows: • Stretch PBT and ROCE based performance targets for the year to 31 January 2023 were met in full; accordingly, the Remuneration Committee determined that 100% of the 6,000 LTIP shadow share options granted to Graham Wheeler vested in respect of achieving stretch performance targets in the year to 31 January 2023 and 100% of the 6,000 shadow share options granted to Chris Redford vested in respect of achieving stretch performance targets in the year to 31 January 2023. Both these vested shadow share options are subject to continued employment until May 2025 and will not normally be exercisable until May 2025. 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 2023 is shown above based on the three-month average share price to 31 January 2023 (£21.28). In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, it is estimated that 0% of the value of the LTIP value which will vest at the end of the period closing 31 January 2023 is attributable to share price growth over the period starting on the date of grant and ending on 31 January 2023. This is calculated based on 2 awards totalling 12,000 potential shadow share options which were granted at a face value at the date of grant of £278,400 (£23.20 share price) and at 31.1.23 had a face value of £247,200 (£20.60 share price). We intend to grant further shadow share options in May 2023 based on the value of a total of 13,000 shares in S&U. These awards will be subject to a performance period which will commence on 1 February 2023 and will end on 31 January 2024. The share price at the start of the performance period was £20.60; if the share price were to increase by a further 50% between May 2023 and May 2026, then the share price of the awards would have increased to £30.90, representing an increase in the face value of Graham Wheeler's award of £51,500, an increase in the face value of Chris Redford's award of £51,500 and an increase in the face value of Ed Ahrens' award of £30,900. For the year ending 31 January 2022 comparative figures: 5,000 shadow share options were granted to Graham Wheeler in that year of which 100% vested in respect of achieving stretch performance targets in that year. 5,000 shadow share options were granted to Chris Redford in that year of which 100% vested in respect of achieving stretch performance targets in that year.

B2 Directors' Remuneration Report

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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 2023).

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 2023, the base salaries of the executive directors were increased in the range 3.75% to 5.5%, except where exceptional circumstances merited a higher increase.

For the year ending 31 January 2024, the Remuneration Committee has now agreed salary increases in the range 1.3% to 3.3% except where exceptional circumstances merited a higher increase, as noted below. This was below the increases given to the wider workforce. After a review of market comparables, and after his excellent performance as an executive director of our growing Aspen Bridging subsidiary, it was decided to award Jack Coombs a salary increase of 9% for year ended 31 January 2024.

The table below shows the base salary increases awarded for next year:

Executive director	Base salary as at 31 January 2023 £000	Base salary for year to 31 January 2024 £000	Increase %
Anthony Coombs	373.5	378.5	1.3
Graham Coombs	358	363	1.3
Chris Redford	245	252.5	3.1
Graham Wheeler	300	310	3.3
Jack Coombs	110	120	9.1
Ed Ahrens*	n/a	207.5	n/a

* Ed Ahrens was appointed a director of S&U plc on 14 February 2023, after the 31 January 2023 yearend, and so no remuneration is shown in the table for base salary as at 31 January 2023.

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 2.7% to £38,000 with effect from 1 February 2023. The basic senior non-executive fee was increased by 5.3% to £40,000 with effect from 1 February 2023. 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	2021/22 £000	2022/23 £000	2023/24 £000
Basic fee	35.5	37	38
Additional fee for Demetrios Markou as Senior Independent Non-executive Director	2	2	2

Annual bonus

For the year ending 31 January 2023, 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 2023 together with the Group PBT targets and details of the actual bonus earned.

	Performance targets	Maximum annual bonus opportunity year ending 31 January 2023 £000	Bonus pay-out % of maximum %	Actual bonus earned for the year ending 31 January 2023 £000
Anthony Coombs	Group PBT target (£39m)	50	100	50
Graham Coombs		50	100	50
Chris Redford		75	67	50
Graham Wheeler	Advantage Finance PBT and ROCE target*	100	75	75
Jack Coombs	Aspen Bridging PBT and ROCE target*	40	62	25

* 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 the achievement of target performance levels in the year ended 31 January 2023 bonuses of £50,000 each were deemed payable to Anthony Coombs, Graham Coombs and Chris Redford and a bonus of £25,000 was deemed payable to Jack Coombs. Based on the achievement of stretch Advantage PBT and ROCE targets, a bonus of £75,000 was deemed payable to Graham Wheeler. The Committee considered the extent to which both financial and individual performance targets had been met in determining these bonuses.

Annual bonus in 2023/24

For the year ending 31 January 2024, where the threshold performance targets set are achieved, the annual bonus has been set at £60,000 for Anthony Coombs and Graham Coombs, £50,000 for Graham Wheeler and Chris Redford and £30,000 for Ed Ahrens and Jack Coombs. Where the target levels of performance set are exceeded, then based on stretch performance targets the Remuneration Committee has the discretion to pay an increased annual bonus to each of Graham Wheeler, Ed Ahrens and Chris Redford 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 and ROCE 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 6,000 nil cost shadow share options under the 2021 LTIP in May 2022 at a notional nil exercise price, subject to achieving specified stretch Advantage PBT and ROCE targets for the year ended 31 January 2023.

Chris Redford was awarded 6,000 nil cost shadow share options under the 2021 LTIP in May 2022 at a notional nil exercise price, subject to achieving specified stretch Group PBT targets for the year ended 31 January 2023.

No other shadow share options were envisaged to be granted to S&U directors and none were granted during the year ended 31 January 2023.

Awards vesting based on performance in respect the year ended 31 January 2023

Details of awards vesting on performance in respect of the year ended 31 January 2023 have been included in the notes to the single figure tables on page 34.

Corporate Governance

B2 Directors' Remuneration Report

CONTINUED

Awards for 2023/24

The Committee intends to grant 5,000 nil cost shadow share options under the 2021 LTIP to Graham Wheeler, subject to achieving certain stretch Advantage PBT and ROCE targets for the year ending 31 January 2024. The Committee also intends to grant 3,000 nil cost shadow share options under the 2021 LTIP to Ed Ahrens, subject to achieving certain threshold group PBT and ROCE targets for the year ending 31 January 2024. The Committee also intends to grant 5,000 nil cost shadow share options under the 2021 LTIP to Chris Redford, subject to achieving certain stretch group PBT targets for the year ending 31 January 2024.

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	
		2023	2024
Anthony Coombs	Bonus	£50,000	£60,000
	Shadow share options	–	–
Graham Coombs	Bonus	£50,000	£60,000
	Shadow share options	–	–
Chris Redford	Bonus	£50,000	£50,000
	Shadow share options	6,000	5,000
Graham Wheeler	Bonus	£75,000	£50,000
	Shadow share options	6,000	5,000
Jack Coombs	Bonus	£25,000	£30,000
	Shadow share options	–	–
Ed Ahrens*	Bonus	n/a	£30,000
	Shadow share options	n/a	3,000

* Ed Ahrens was appointed a director of S&U plc on 14 February 2023, after the 31 January 2023 yearend, and so no remuneration is shown in the table for 2023.

For the year ending 31 January 2023, 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.

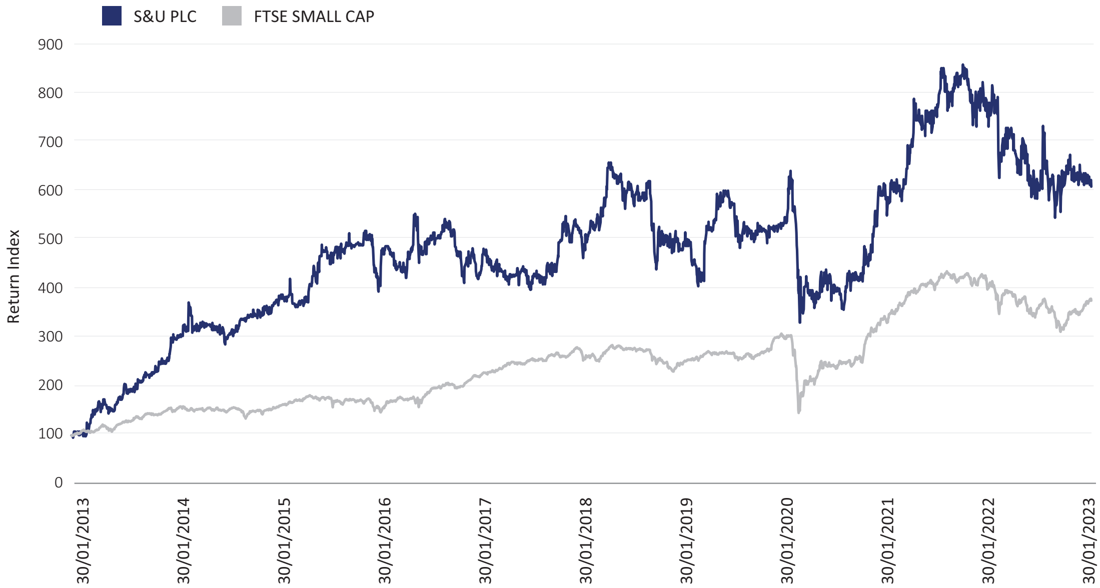
Total pension entitlements in 2022/23 (this section is subject to audit)

During the year the Group made contributions into a defined contribution scheme on behalf of Graham Wheeler, Jack Coombs 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	36	14.5
Graham Wheeler	30	10.0
Jack Coombs	16	15.0

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) %
2023	506	100	n/a
2022	469	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

Corporate Governance

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 remuneration for executive directors and the wider workforce for the years ended 31 January 2023, 31 January 2022 and 31 January 2021 .

Element	Anthony Coombs	Graham Coombs	Chris Redford	Graham Wheeler*	Jack Coombs	Wider Workforce
Year to 31.1.23	%	%	%	%	%	%
Base salary	3.8	3.8	5.4	20.0	10.0	9.0
Allowances and benefits	3.8	(2.9)	0.0	(18.8)	0.0	n/a
Bonus	66.7	66.7	0.0	50.0	150.0	6.6
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)

* Graham Wheeler was appointed a director of S&U plc on 29 September 2020, so no comparative data is available for the year to 31.1.21.

** Jack Coombs was appointed a director of S&U plc on 14 April 2021, so no comparative data is available for the year to 31.1.21 or the year to 31.1.22.

Anthony Coombs received benefits and allowances of £82,000 in the year ending 31 January 2023 and £79,000 in the year ending 31 January 2022. Anthony Coombs earned a bonus of £50,000 for the year ending 31 January 2023 and earned a bonus of £30,000 for the year ending 31 January 2022.

Graham Coombs received benefits and allowances of £34,000 in the year ending 31 January 2023 and £35,000 in the year ending 31 January 2022. Graham Coombs earned a bonus of £50,000 for the year ending 31 January 2023 and earned a bonus of £30,000 for the year ending 31 January 2022.

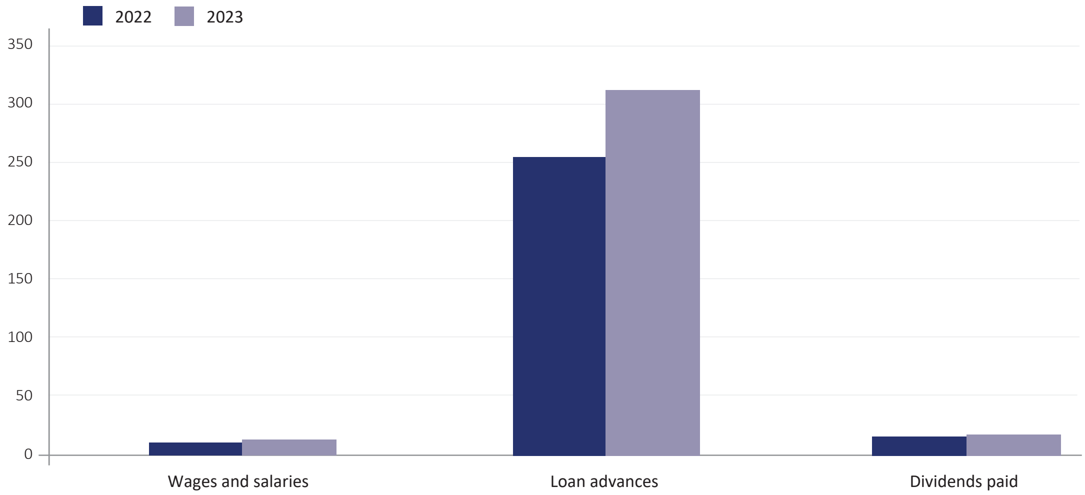
Chris Redford received benefits and allowances of £22,000 in the year ending 31 January 2023 and £22,000 in the year ending 31 January 2022. Chris Redford earned a bonus of £50,000 for the year ending 31 January 2023 and earned a bonus of £50,000 for the year ending 31 January 2022.

Graham Wheeler received benefits and allowances of £13,000 in the year ending 31 January 2023 and £16,000 in the year ending 31 January 2022. Graham Wheeler earned a bonus of £75,000 for the year ending 31 January 2023 and earned a bonus of £50,000 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 2022 and 31 January 2023. 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 2023.

Statement of directors' shareholding and share interests

The table below details the beneficial shareholdings and share interests of the directors as at 31 January 2023.

	Type	Total at 31 January 2023
Anthony Coombs	Shares	1,277,609
Graham Coombs	Shares	1,635,457
Chris Redford	Shares	16,300
Graham Wheeler	Shares	–
Jack Coombs	Shares	1,677,147
Non-executive directors		
Demetrios Markou	Shares	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, holds 328,323 Ordinary Shares.

Ed Ahrens was appointed an executive director of S&U plc after the 31.1.23 yearend, on 14.2.23, and at that date he held 4,500 S&U plc ordinary shares.

There are no share options held under the old LTIP 2010 scheme – there are no direct share interests arising under the new LTIP 2021 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 2023 and the date of this report.

B2 Directors’ Remuneration Report

CONTINUED

Shareholder vote on the 2022 Remuneration Report and 2021 Remuneration Policy (this section is not subject to audit)

The table below shows the voting outcome at the 26 May 2022 AGM for the 2022 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 2022	5,578,161	93.23	405,272	6.77	5,983,433	79
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 6 April 2023 and signed on its behalf by:

Tarek Khlat
Chairman of the Remuneration Committee

6 April 2023

B3 Governance

B3.1 AUDIT COMMITTEE REPORT

Role and Responsibilities

The Audit Committee is a committee of the Board of Directors, made up of independent non-executive 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). Two members of the audit committee also serve on the Group's ESG and climate change committee.

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 and generally three times a year in conjunction with the interim and full year financial reports issued in September and March and an audit planning meeting in January. 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 2023 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 2023 Financial Statements were as follows:

Impairment of receivables – Motor Finance – see also accounting policy 1.5 on page 65

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 1.4 on page 64

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;

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

The Committee also reviewed the impairment, revenue recognition and strong receivables growth of our Property Bridging Finance business which is currently less material than motor finance. There were no issues and areas of judgement considered significant by the Committee in relation to Aspen Bridging.

B3 Governance

CONTINUED

Regulatory Correspondence

FRC request for information

The Company received a request for information from the Financial Reporting Council (FRC), who regularly review listed company accounts, in respect of disclosures around the net increase in overdraft, expected credit losses and collateral in S&U's accounts to 31 January 2022. The company has provided further information to the FRC and agreed to amend a narrative comparative figure for the net overdraft and to further enhance disclosures in the areas of expected credit losses and collateral in its accounts to 31 January 2023. The company is grateful to the FRC for its helpful and constructive observations and the FRC have confirmed that their review is now closed.

An FRC review provides no assurance that the S&U annual report was correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements. Its letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no reliability for reliance on them by the company or any third party including but not limited to investors and shareholders.

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 second 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 7 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

6 April 2023

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 the inside front cover. Family investment and management has over the past 85 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 2023 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 consequent 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 Chief Executive 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.

In February 2023, after the end of the financial year, Ed Ahrens the CEO of Aspen Bridging was appointed to the Board of S&U plc as an Executive Director. This was considered appropriate given his prudent and controlled leadership of our growing property bridging business and the wide range of skills and experience from his banking background which enhance the overall Board management of the Group.

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

B3 Governance

CONTINUED

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. There were no Board appointments during the current year, but after the year end the Nomination Committee played a significant role in the appointment of Ed Ahrens, an appointment which enhances the relevant skills and experience of the Board. 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, Jeremy Maxwell 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. Ed Ahrens was appointed to the Board on 14 February 2023 and offers himself for election at the next Annual General Meeting.

The Senior Independent Director Demetrios Markou provides a sounding Board and objective support for the Chairman and serves as an intermediary for the other directors when necessary.

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 10 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 56.

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 71 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 14 women hold 33% of senior management positions and women hold 62% of other employee positions and during the year no female directors served on the Board. Currently 28 men hold 67% of senior management positions and men hold 38% of other employee positions and during the year nine male directors served on the Board. The Company had 11 employees of which two are women and nine are men including seven S&U plc Directors.

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 2023 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	**5**	**1**	**1**	**3**
AMV Coombs	5	1	n/a	n/a
GDC Coombs	5	n/a	n/a	n/a
D Markou	5	1	1	3
G Pedersen	5	1	1	3
T Khlat	5	1	1	3
JP Maxwell	5	1	1	3
J EC Coombs	5	n/a	n/a	n/a
TG Wheeler	5	n/a	n/a	n/a
CH Redford	5	n/a	n/a	n/a

Ed Ahrens was appointed to the Board on 14 February 2023 and therefore there were no Board meetings during the year ended 31 January 2023 which he could have attended.

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 including the Chairman 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.

B3 Governance

CONTINUED

Mutual commitment and loyalty between Company and its employees has underpinned S&U's 85-year history. Both its size, with currently over 190 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 2023 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 provisions 9 and 19 of the code with its appointment of the Chairman in 2008 and service thereafter, "a clear rationale for the action" is also set out above.

Graham Pedersen
Chairman of the Nominations Committee

6 April 2023

B4 Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2023 and for the period up to the date of signing these accounts on 6 April 2023.

The names of all of the directors who served during the year and up to the date of signing the accounts are shown in the directors' biographies on pages 28 and 29. The CEO of our growing Aspen Bridging business Ed Ahrens was appointed to the Board on 14 February 2023 after the financial year end. Ed has shown prudent and controlled leadership of our growing property bridging business and brings with him a wealth of skills and expertise from his banking background. All the other 9 directors served for the full year to 31 January 2023.

No political donations were made during the year (2022: £nil).

Dividends

Dividends of £15,546,000 (2022 £12,263,000) were paid during the year.

After the year end a second interim dividend for the financial year of £4,617,000 being 38.0p per ordinary share (2022: 36.0p) was paid to shareholders on 10 March 2023.

The directors now recommend a final dividend, subject to shareholders approval of 60.0p per share (2022: 57.0p). This, together with the interim dividends totalling 73.0p per share (2022: 69.0p) already paid, makes a total dividend for the year of 133.0p per share (2022: 126.0p).

Substantial shareholdings

At 6 April 2023, 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 20. 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.

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

Post balance sheet events

There are no significant post balance sheet events to report.

B4 Directors’ Report

CONTINUED

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. The two matters to report under the disclosure requirements of the Large and Medium-sized Companies and Groups (Report and Accounts) Regulations 2008, are that;

1. The Board may appoint a director during the year and until the dissolution of the next AGM as long as the maximum number of 10 directors is not exceeded.
2. The Board have the power to issue and allot up to 10% of the ordinary share capital of the company and to buy back up to 3,598,506 31.5% preference shares and up to 200,000 6% preference shares of the company.

The two matters required to report under listing rule 9.8.4R are as follows:

1. The Company has a long term incentive scheme (LTIP 2021) with awards of shadow share options which can only be cash settled. Details of awards under this scheme to directors are shown in section B2.2.
2. Under the old long term incentive scheme (LTIP 2010) 5,500 ordinary shares were issued during the year as per note 26 to the accounts. These 5,500 were the last shares which could be issued under this LTIP 2010.

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 22.

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

6 April 2023

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 parent company (the "company") and Group financial statements in accordance with UK-adopted international accounting standards. 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 and the Group for that period. In preparing these financial statements, the directors are required to:

- properly select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group'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 group 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 UK-adopted international accounting 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

6 April 2023

Chris Redford
Group Finance Director

6 April 2023

Corporate Governance

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 2023 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 2023 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 Financial Reporting Council's ('FRC') Ethical Standard as applied to listed and public interest 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 by reviewing supporting and contradictory evidence in relation to these key assumptions. 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;
- 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.

Key Audit Matter	How our scope addressed this matter
Measurement of loan impairments on loans and advances to customers (Group and Advantage) (2023: £96.5m, 2022: £92.1m) *Refer to note 1.4 for the accounting policy, note 1.13 for details of the key sources of estimation uncertainty and note 15 for relevant disclosures.* The estimation of expected credit losses (ECL) on loans and advances to customers is complex and inherently judgemental. The models require probabilities of default (PD), loss given default (LGD) and exposures at default (EAD) to be determined, as well as significant increase in credit risk (SICR) triggers, that are altogether adjusted to take into account probability weighted forward looking economic scenarios. In the financial year, this has been made all the more challenging by inflation hitting 11% and the cost of living crisis putting additional financial pressure on household finances and their ability to service debt. The unprecedented economic environment is making modelling even more challenging, resulting in the Group applying post model adjustments to its macroeconomic scenarios. The ECL model is most sensitive to: • Identification of SICR and the resulting staging of loans, • The core PD and LGD assumptions, and • The post model adjustments. 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; • Challenging the key assumptions of the PD, LGD and significant increases in credit risk (SICR) and the staging applied and forward-looking assumptions and weighting; • Critically assessing the methodology for determining the SICR criteria and independently test a sample of loans for appropriateness of staging; • Assessing the integrity of data used in the calibration of the PD and LGD; • Critically challenging and recalculating the post model adjustments applied to take account of the impact of inflation on customers' ability to service their financing; • **Performing a stand back assessment of the resulting ECL estimates to assess its appropriateness; and** • **Assessing the adequacy of the Group's disclosures in relation to ECL.** **Our observations** Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as of 31 January 2023 and the approach taken in respect of ECL are consistent with the requirements of IFRS 9 and that the judgements made were reasonable.

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

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Key Audit Matter	How our scope addressed this matter
Revenue recognition – Constant periodic rate of return assessment as per IFRS 16 (Group) (2023: £102.7m, 2022: £87.9m) *Refer to note 1.4 for the accounting policy and note 3 for relevant disclosures.* Recognising income under IFRS 16 for leases on a constant yield basis is a complex area that involves judgement. The majority of revenue is system generated but to convert that to a constant yield 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 risk of fraud through possible manipulation of this balance.	Our audit procedures included, but were not limited to: • Assessing the design and implementation and test the operating effectiveness of key controls over the constant periodic rate of return on leases; • Testing the accuracy and completeness of data inputs such as interest rates, outstanding loan balances and directly attributable cost/income; and • Reviewing 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 basis to be reasonable for the year ended 31 January 2023 and consistent with the requirements of IFRS 16.

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	£2.1m (2022: £2.4m)
How we determined it	5% of profit before tax (PBT) (2022: 5% of 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 £1.3m (2022: £1.4m), which represents 65% (2022: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £62,000 (2022: £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 (2022: £0.7m)
How we determined it	1% net assets (2022: 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 £0.5m (2022: £0.4m), which represents 65% (2022: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £21,000 (2022: £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 Finance Limited and Aspen Bridging Limited, 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

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

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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.

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 Code 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 15;
- 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 15;
- 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 e-merging and principal risks, set out on page 15;
- 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 the 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 are 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 IFRS 16 constant yield revenue recognition (which we pinpointed to the existence and accuracy assertions as described in the "Key audit matters" section of our report), 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 two years, covering the years ended 31 January 2022 and 31 January 2023.

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
30 Old Bailey, London, EC4M 7AU

6 April 2023

The Accounts

In this section

D1 The Accounts
D1.1 Group income Statement
For the year ended 31 January 2023

From continuing operations	Notes	2023 £000	2022 £000
Revenue	3	**102,714**	87,889
Cost of sales	4	**(23,676)**	(18,771)
Impairment charge	5	**(13,877)**	(4,120)
Gross profit		**65,161**	64,998
Administrative expenses		**(16,256)**	(14,208)
Operating profit	7	**48,905**	50,790
Finance costs (net)	8	**(7,495)**	(3,772)
Profit before taxation	2	**41,410**	47,018
Taxation	10	**(7,692)**	(9,036)
Profit for the year attributable to equity holders		**33,718**	37,982
Earnings per share			
Basic	12	**277.5p**	312.8p
Diluted	12	**277.5p**	312.7p

Statement of Comprehensive Income

	Note	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Profit for the year attributable to equity holders		**33,718**	37,982	**16,039**	10,113
Actuarial loss on defined benefit pension scheme	27	**(13)**	(6)	**(13)**	(6)
Total Comprehensive Income for the year		**33,705**	37,976	**16,026**	10,107

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

D1.2 Balance Sheet

AS AT 31 JANUARY 2023

Company Registration No: 0342025

	Notes	**Group 2023 £000**	Group 2022 £000	**Company 2023 £000**	Company 2022 £000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**2,616**	2,455	**446**	199
Investments	14	**–**	–	**1**	1
Amounts receivable from customers	15	**219,305**	181,614	**–**	–
Trade and other receivables	16	**–**	–	**210,000**	152,000
Deferred tax assets	19	**110**	120	**15**	35
		222,031	184,189	**210,462**	152,235
Current assets					
Amounts receivable from customers	15	**201,405**	141,301	**–**	–
Trade and other receivables	16	**1,601**	1,739	**57,833**	33,701
Cash and cash equivalents		**3,137**	–	**–**	–
		206,143	143,040	**57,833**	33,701
Total assets		**428,174**	327,229	**268,295**	185,936
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	17	**–**	(2,568)	**(273)**	(3,147)
Trade and other payables	18	**(4,602)**	(4,347)	**(711)**	(654)
Current tax liabilities		**(888)**	(926)	**(69)**	(116)
Lease liabilities		**(166)**	(174)	**(51)**	(66)
Accruals		**(1,262)**	(774)	**(225)**	(221)
		(6,918)	(8,789)	**(1,329)**	(4,204)
Non-current liabilities					
Borrowings	17	**(195,500)**	(111,000)	**(195,500)**	(111,000)
Lease liabilities		**(421)**	(243)	**(292)**	(17)
Financial liabilities	21	**(450)**	(450)	**(450)**	(450)
		(196,371)	(111,693)	**(196,242)**	(111,467)
Total liabilities		**(203,289)**	(120,482)	**(197,571)**	(115,671)
NET ASSETS		**224,885**	206,747	**70,724**	70,265
Equity					
Called up share capital	20	**1,719**	1,718	**1,719**	1,718
Share premium account		**2,301**	2,301	**2,301**	2,301
Profit and loss account		**220,865**	202,728	**66,704**	66,246
Total equity		**224,885**	206,747	**70,724**	70,265

The parent company's profit for the financial year after taxation amounted to £16,039,000 (2022: £10,113,000)

These financial statements were approved by the Board of Directors on 6 April 2023.

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 2023

Group	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 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	20	1	–	–	1
Cost of future share-based payments	26	–	–	39	39
Tax charge on equity items	19	–	–	(35)	(35)
Dividends	11	–	–	(12,263)	(12,263)
At 31 January 2022		1,718	2,301	202,728	206,747
Profit for year		–	–	33,718	33,718
Other comprehensive income for year		–	–	(13)	(13)
Total comprehensive income for year		–	–	33,705	33,705
Issue of new shares in year	20	1	–	–	1
Cost of future share-based payments	26	–	–	6	6
Tax charge on equity items	19	–	–	(28)	(28)
Dividends	11	–	–	(15,546)	(15,546)
At 31 January 2023		1,719	2,301	220,865	224,885

Company	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2021		1,717	2,301	68,398	72,416
Profit for year	9	–	–	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	20	1	–	–	1
Cost of future share-based payments	26	–	–	39	39
Tax charge on equity items	19	–	–	(35)	(35)
Dividends	11	–	–	(12,263)	(12,263)
At 31 January 2022		1,718	2,301	66,246	70,265
Profit for year	9	–	–	16,039	16,039
Other comprehensive income for year		–	–	(13)	(13)
Total comprehensive income for year		–	–	16,026	16,026
Issue of new shares in year	20	1	–	–	1
Cost of future share-based payments	26	–	–	6	6
Tax charge on equity items	19	–	–	(28)	(28)
Dividends	11	–	–	(15,546)	(15,546)
At 31 January 2023		1,719	2,301	66,704	70,724

D1.4 Cash Flow Statement

FOR THE YEAR ENDED 31 JANUARY 2023

	Notes	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Net cash used in operating activities	23	**(62,760)**	(2,094)	**(66,010)**	(4,047)
Cash flows used in investing activities					
Proceeds on disposal of property, plant and equipment		**166**	93	**88**	–
Purchases of property, plant and equipment	13	**(826)**	(377)	**(419)**	(24)
Net cash used in investing activities		**(660)**	(284)	**(331)**	(24)
Cash flows from financing activities					
Dividends paid	11	**(15,546)**	(12,263)	**(15,546)**	(12,263)
Issue of new shares		**1**	1	**1**	1
Decrease in investments in dormant companies		**–**	–	**–**	531
Receipt of new borrowings		**84,500**	25,000	**84,500**	25,000
Repayment of borrowings		**–**	(11,500)	**–**	(11,500)
Increase/(decrease) in lease liabilities		**170**	(134)	**260**	(63)
Net (decrease)/increase in overdraft		**(2,568)**	1,273	**(2,874)**	2,364
Net cash generated from financing activities		**66,557**	2,377	**66,341**	4,070
Net increase/(decrease) in cash and cash equivalents		**3,137**	(1)	**–**	(1)
Cash and cash equivalents at the beginning of year		**–**	1	**–**	1
Cash and cash equivalents at the end of year		**3,137**	–	**–**	–
Cash and cash equivalents comprise					
Cash and cash in bank		**3,137**	–	**–**	–

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2022: £nil).

D2 Notes to the Accounts

Year ended 31 January 2023

1. ACCOUNTING POLICIES

1.1 General Information

S&U plc is a Company incorporated in England and Wales under the Companies Act and is a public company limited by shares. The address of the registered office is given on page 91 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 and consolidation

As a listed Group we are required to prepare our consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. We have also prepared our S&U plc Company financial statements in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. Under S404 of the Companies Act 2006, the parent company S&U plc has taken exemption from reporting its own profit and loss. 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 2023. 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 next three years, which the directors have concluded is appropriate for the Group's viability assessment. 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.

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

At the date of authorisation of these financial statements the directors anticipate that the adoption in future periods of any other Standards and interpretations which are in issue but not yet effective, will have no material impact on the financial statements of the Group.

1.3 Financial assets and financial liabilities accounting policy

When initially recognising a financial asset it is classified into one of the following three categories based on the group's business model for managing that asset and the asset's contractual cash flow characteristics:

i) Amortised cost – a financial asset is measured at amortised cost if both of the following conditions are met:
   a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
   b) The contractual terms of the financial asset give rise on specified dates to cash flows that are payments of principal and interest on the principal amount outstanding.

ii) Fair value through other comprehensive income – financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) Fair value through profit or loss – any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

The group has classified its financial assets and its financial liabilities as measured at amortised cost.

1.4 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. ACCOUNTING POLICIES (CONTINUED)

1.5 Impairment and measurement of amounts receivable from customers

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

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

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

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

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

Stage 3: Credit impaired

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

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

For all loans in stages 2 and 3 a provision equal to the lifetime expected credit loss is taken. In addition and in accordance with the provisions of IFRS9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book which is Stage 1. 12-month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS9 stage 3. This results in more of our net receivables being in stage 3 and the associated stage 3 loan loss provisions being higher than if we adopted a more prime customer receivables approach of 3 months or more in arrears. Our approach of 1 month or more in contractual arrears is based on our historical observation of subsequent loan performance after our customers fall 1 month or more in contractual arrears within our non-prime motor finance customer receivables book. The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

A PD/LGD model was developed by our Motor Finance business, Advantage Finance, to calculate the expected loss impairment provisions in accordance with IFRS9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer defaulting in the next 12 months. This is determined with reference to historical data updated for current and future conditions. If a motor finance loan falls one month or more in contractual arrears, then this is deemed credit impaired and included in IFRS9 Stage 3. There are some motor finance loans which are up to date with payments but the customer is in some form of forbearance and we deem this to be a significant increase in credit risk and so these loans are included in Stage 2. As 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 were therefore included in Stage 2 until they re-established a successful post holiday payment records. There are no payment holiday customers left in stage 2 at 31 January 2023 as at that date all such customers are either correctly classified in another stage or their agreement has finished. This is why the volume of customers in Stage 2 decreased at 31 January 2023.

D2 Notes to the Accounts

CONTINUED

Year ended 31 January 2023

1. ACCOUNTING POLICIES (CONTINUED)

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 2023 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 1.13.

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 2023 and those used at 31 January 2022.

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

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

1.6 Impairment of amounts owed by subsidiary companies to the parent company

These are initially recognised as the amount loaned to the subsidiary company. After initial recognition amounts owed by subsidiary companies to the parent company are subsequently measured at amortised cost. Amortised costs includes any deduction for loan loss impairment provisions for expected credit losses in accordance with the requirements of IFRS9. Management consider that there is a low probability of default on these loans and there has been no significant increase in credit risk or credit impairment since these loans were first recognised. Therefore the loans continued to be held at the amount loaned.

1.7 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
Right to Use Assets	Straight line over the normal term of the lease

Freehold Land is not depreciated.

1.8 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. ACCOUNTING POLICIES (CONTINUED)

1.9 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.

1.10 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. The scheme is currently in surplus but as the group has no ability to access this asset the surplus is capped at £nil. 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.

1.11 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.

1.12 Investments

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

1.13 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

Significant increase in credit risk for classification in Stage 2

The Company's transfer criteria determine what constitutes a significant increase in credit risk, which results in a customer being moved from Stage 1 to Stage 2. Stage 2 currently includes customers who have a good payment record but have been identified as vulnerable by trained staff. Vulnerability can be driven by factors including health, life events, resilience or capability. All customer facing staff are trained to help recognise characteristics of vulnerability. Stage 2 previously included some pandemic payment holiday customers but these customers have all now had 12 months to re-establish their post holiday payment track record and are therefore now either correctly included in another stage or their agreement has finished.

Key sources of estimation uncertainty

The directors consider that the sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial statements are those inherent in the consumer credit markets in which we operate relating to impairment as outlined in 1.5 above. In particular, the Group's impairment provision is dependent on estimation uncertainty in forward-looking on areas such as employment rates, inflation rates and used car and property prices.

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

D2 Notes to the Accounts

CONTINUED

Year ended 31 January 2023

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:

Unemployment	Base	Upside (30% decrease)	Downside (30 % increase)	Severe (50% increase)	Weighted
Weighting	50%	5%	40%	5%	
Q1 2023	3.80%	2.66%	4.94%	5.70%	4.29%
Q1 2024	4.40%	3.08%	5.72%	6.60%	4.97%
Q1 2025	5.00%	3.50%	6.50%	7.50%	5.65%
Q1 2026	5.30%	3.71%	6.89%	7.95%	5.99%

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

Inflation	Base	Upside (30% decrease)	Downside (30 % increase)	Severe (50% increase)	Weighted
Weighting	50%	5%	40%	5%	
Q1 2023	9.70%	6.79%	12.61%	14.55%	10.96%
Q1 2024	3.00%	2.10%	3.90%	4.50%	3.39%
Q1 2025	1.00%	0.70%	1.30%	1.50%	1.13%
Q1 2026	0.40%	0.28%	0.52%	0.60%	0.45%

An increase by 0.5% in the weighted average unemployment rate would result in an increase in loan loss provisions by £1,044,494. A decrease by 0.5% would result in a decrease in loan loss provisions by £1,044,494. An increase by 0.5% in the weighted average inflation rate would result in an increase in loan loss provisions by £474,770. A decrease by 0.5% would result in a decrease in loan loss provisions by £474,770.

Used vehicle price overlay and sensitivity for our motor finance business

Our used vehicle price overlay is based on used vehicle guide price information and the mileage and condition of each vehicle is estimated which is uncertain. It is also based on an uncertain assumption at 31.1.23 that used car prices which increased significantly in 2021 and 2022 will fall by 13.5%. This used vehicle price overlay has increased loan loss provisions at 31.1.23 by £6,656,000 (2022: increased provisions by £4,552,000). If used car prices were only assumed to fall by 8.5% instead, then this would result in a decrease in loan loss provisions of £2,815,718. If used car prices were assumed to fall by 18.5% instead, then this would result in a further increase in loan loss provisions of £2,717,750.

Expected loss sensitivity for our property bridging business

The PD/LGD expected loss impairment provision model calculations developed for our Aspen bridging business have been based on extrapolating an inherently low volume sample of historic defaults and losses to reflect the current receivables and current market conditions. If the probability of default were assessed to be 10% higher than these calculations then this would result in an increase in loan loss provisions of £290,727. If the probability of default were assessed to be 10% lower than these calculations then this would result in a decrease in loan loss provisions of £290,727.

1.14 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)

1. ACCOUNTING POLICIES (CONTINUED)

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

v) Group gearing is calculated as the sum of Bank Loans and Overdrafts 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 31.1.23 £000**	Year ended 31.1.22 £000	**Year ended 31.1.23 £000**	Year ended 31.1.22 £000
Motor finance	**89,801**	78,898	**37,171**	43,682
Property bridging finance	**12,913**	8,991	**4,457**	3,414
Central costs net of central finance income	**–**	–	**(218)**	(78)
	102,714	87,889	**41,410**	47,018

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

	Assets		Liabilities	
Class of business	**Year ended 31.1.23 £000**	Year ended 31.1.22 £000	**Year ended 31.1.23 £000**	Year ended 31.1.22 £000
Motor finance	**311,168**	262,458	**(164,452)**	(131,012)
Property bridging finance	**116,714**	64,426	**(109,485)**	(59,606)
Central	**292**	345	**70,648**	70,136
	428,174	327,229	**(203,289)**	(120,482)

Depreciation of assets for motor finance was £425,000 (2022: £427,000), for property bridging finance was £15,000 (2022: £21,000) and for central was £85,000 (2022: £81,000). Fixed asset additions for motor finance were £394,000 (2022: £337,000), for property bridging finance were £13,000 (2022: £16,000) and for central were £419,000 (2022: £24,000).

The net finance credit for central costs was £2,507,000 (2022: £2,506,000), for motor finance was a cost of £6,619,000 (2022: £4,394,000) and for property bridging finance was a cost of £3,383,000 (2022: £1,884,000). The tax credit for central costs was £58,000 (2022: £24,000), for motor finance was a tax charge of £6,901,000 (2022: £8,408,000) and for property bridging finance was a tax charge of £848,000 (2022: £652,000).

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 2023

3. REVENUE

	2023 £000	2022 £000
Interest and other income from motor finance hire purchase loans	**89,801**	78,898
Interest and other income from property bridging loans	**12,913**	8,991
Total revenue	**102,714**	87,889

4. COST OF SALES

	2023 £000	2022 £000
Cost of sales – motor finance	**21,687**	17,266
Cost of sales – property bridging finance	**1,989**	1,505
Total Cost of sales	**23,676**	18,771

5. IMPAIRMENT CHARGE

	2023 £000	2022 £000
Loan loss provisioning charge		
Loan loss provisioning charge – motor finance	**12,885**	3,805
Loan loss provisioning charge – property bridging finance	**992**	315
Total impairment charge	**13,877**	4,120

Note – motor finance loan loss provisions in 2022 were lower than normal as £36.0m loan loss provisions charged during the pandemic year ended 31.1.21 were not utilised as much as anticipated.

6. INFORMATION REGARDING EMPLOYEES

	Group 2023 No.	Group 2022 No.	Company 2023 No.	Company 2022 No.
The monthly average number of persons employed by the Group in the year was:				
Motor finance	**192**	173	**–**	–
Property bridging finance	**21**	17	**–**	–
Central	**11**	10	**11**	10
Total Group average number of employees	**224**	200	**11**	10

The monthly average employed by the Company was 11 (2022: 10)

	2023 £000	2022 £000	2023 £000	2022 £000
Staff costs during the year (including directors):				
Wages and salaries	**10,522**	9,133	**1,535**	1,402
Social security costs	**1,186**	928	**209**	209
Pension costs for defined contribution scheme	**456**	391	**38**	37
Total Staff Costs	**12,164**	10,452	**1,782**	1,648

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 historical defined benefit pension plan the details of which are contained in note 27 of these notes to the accounts.

7. OPERATING PROFIT

	2023 £000	2022 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned and Right to` Use assets	**525**	529
Staff costs	**12,164**	10,441
Cost of future share-based payments	**6**	39
(Profit)/Loss on sale of fixed assets	**(1)**	13

The analysis of auditor's remuneration is as follows:

	2023 £000	2022 £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	**133**	128
Total audit fees	**163**	158
Audit related assurance services	**25**	25
Other services	**–**	–
Total non-audit fees	**25**	25
Total	**188**	183

8. FINANCE COSTS (NET)

	2023 £000	2022 £000
31.5% cumulative preference dividend	**141**	142
Lease Liabilities	**12**	17
Bank loan and overdraft interest payable	**7,342**	3,613
Total Finance Costs (net)	**7,495**	3,772

9. 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 £16,039,000 (2022: £10,113,000).

D2 Notes to the Accounts

CONTINUED

Year ended 31 January 2023

10. TAX ON PROFIT BEFORE TAXATION

	2023 £000	2022 £000
Continuing Operations		
Corporation tax at 19.0% (2022: 19.0%) based on profit for the year	**7,894**	9,129
Adjustment in respect of prior years	**(184)**	(47)
	7,710	9,082
Deferred tax (temporary differences – origination and reversal)	**(18)**	(46)
	7,692	9,036

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.

	2023 £000	2022 £000
Profit on ordinary activities before tax from continuing operations	**41,410**	47,018
Tax on profit on ordinary activities at standard rate of 19.0% (2021: 19.0%)	**7,868**	8,933
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**41**	56
Effects of other tax rates and permanent differences	**(33)**	94
Prior period adjustments	**(184)**	(47)
Total actual amount of tax	**7,692**	9,036

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.

11. DIVIDENDS

	2023 £000	2022 £000
2nd Interim dividend paid for the year ended 31/1/2022 – 36.0p per Ordinary share (25.0p)	**4,372**	3,033
Final dividend paid for the year ended 31/1/2022– 57.0p per Ordinary share (43.0p)	**6,926**	5,222
1st Interim dividend paid for the year ended 31/1/2023 – 35.0p per Ordinary share (33.0p)	**4,253**	4,008
Total ordinary dividends paid	**15,551**	12,263
6% cumulative preference dividend paid March and September	**12**	12
Credit for unpresented dividend payments over 12 years old	**(17)**	(12)
Total dividends paid	**15,546**	12,263

A second interim dividend of 36.0p per ordinary share for the year ended 31 January 2023 was paid on 10 March 2023 totalling £4.6m and the directors are proposing a final dividend for the year ended 31 January 2023 of 60p per ordinary share totalling £7.3m. The final dividend will be paid on 7 July 2023 to shareholders on the register at close of business on 16 June 2023 subject to approval by shareholders at the Annual General Meeting on Thursday 25 May 2023.

12. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share ("eps") from continuing operations is based on profit after tax of £33,718,000 (2022: £37,982,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,149,205 (2022: 12,142,928). There are a total of nil dilutive share options in issue (2022: 5,500) and taking into account the appropriate proportion of these dilutive options the number of shares used in the diluted eps calculation is 12,149,205 (2022: 12,145,096).

13. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost					
At 1 February 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
Additions	61	192	210	363	826
Disposals	(4)	(224)	(17)	(251)	(496)
At 31 January 2023	1,886	381	1,796	885	4,948
Accumulated depreciation					
At 1 February 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
Charge for the year	115	68	178	164	525
Eliminated on disposals	(4)	(106)	(17)	(229)	(356)
At 31 January 2023	505	177	1,323	327	2,332
Net book value					
At 31 January 2023	1,381	204	473	558	2,616
At 31 January 2022	1,435	198	441	381	2,455

Included in the above is land at a cost of £22,000 (2022: £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. The total cash outflow for these leases during the year to 31.1.23 was £ 173,000 (2022: £ 190,000).

Company	Land and Buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost					
At 1 February 2021	42	79	244	251	616
Additions	–	–	24	–	24
Disposals	–	–	–	–	–
At 31 January 2022	42	79	268	251	640
Additions	–	75	1	343	419
Disposals	–	(101)	–	(251)	(352)
At 31 January 2023	42	53	269	343	707
Accumulated depreciation					
At 1 February 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
Charge for the year	–	6	22	57	85
Eliminated on disposals	–	(36)	–	(229)	(265)
At 31 January 2023	12	33	204	12	261
Net book value					
At 31 January 2023	30	20	65	331	446
At 31 January 2022	30	16	86	67	199

Included in the above is land at cost of £22,000 (2022: £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. The total cash outflow for these leases during the year to 31.1.23 was £51,000 (2022: £ 68,000).

14. INVESTMENTS AND RELATED PARTY TRANSACTIONS

Company	2023 £000	2022 £000
Shares in subsidiary companies		
At historical cost less impairment	1	1

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) and Cash Kangaroo Limited (08435795).

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 £109,500 (2022: £102,000) via the Keith Coombs Trust which is a related party because Messrs GDC Coombs, AMV Coombs, D Markou and CH Redford are trustees. The amount owed to the Keith Coombs Trust at the year-end was £nil (2022: £nil). During the year the Group obtained supplies at market rates amounting to £4,123 (2022: £3,508) 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 £16,200,000 (2022: £10,000,000). 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 2023 the Company was owed £267,945,745 (2022: £185,807,050) by other Group undertakings as part of an intercompany loan facility and owed £217,119 to a dormant group company (2022: £217,119). All related party transactions were settled in full when due. Key management personnel compensation is disclosed on page 34 in the Directors Remuneration Report.

15. AMOUNTS RECEIVABLE FROM CUSTOMERS

	Group	
	2023	2022
	£000	£000
Motor finance hire purchase	**403,282**	350,517
Less: Loan loss provision motor finance	**(96,465)**	(91,481)
Amounts receivable from customers motor finance	**306,817**	259,036
Property bridging finance loans	**115,451**	64,525
Less: Loan loss provision property bridging finance	**(1,558)**	(646)
Amounts receivable from customers property bridging finance	**113,893**	63,879
Amounts receivable from customers total	**420,710**	322,915
Analysis by future date due		
– Due within one year	**201,405**	141,301
– Due in more than one year	**219,305**	181,614
Amounts receivable from customers	**420,710**	322,915
Analysis of security		
Loans secured on vehicles under hire purchase agreements	**302,159**	254,933
Loans secured on property	**113,893**	63,879
Other loans not secured (motor finance where security no longer present)	**4,658**	4,103
Amounts receivable from customers	**420,710**	322,915
Analysis of overdue		
Not impaired		
Neither past due nor impaired	**367,245**	285,892
Past due up to 3 months but not impaired	**–**	–
Past due over 3 months but not impaired	**–**	–
Impaired		
Past due up to 3 months	**40,249**	25,137
Past due over 3 months and up to 6 months	**4,772**	3,943
Past due over 6 months or default	**8,444**	7,943
Amounts receivable from customers	**420,710**	322,915

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.5 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 473 vulnerable or Covid impacted payment deferral customers who although not in arrears at 31.1.23 were assessed from a review of internal data to have a significant increase in credit risk (2022: 1,688). Under IFRS9 therefore these customers although not in arrears are included in stage 2 at 31.1.23 with an increased impairment provision.

15. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

As at 31 January 2023	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total £'000
Amounts receivable (capital)				
Motor finance	285,050	2,236	115,996	403,282
Property bridging finance	108,378	–	7,073	115,451
Total	393,428	2,236	123,069	518,733
Loan loss provisions				
Motor finance	(26,640)	(662)	(69,163)	(96,465)
Property bridging finance	(1,116)	–	(442)	(1,558)
Total	(27,756)	(662)	(69,605)	(98,023)
Amounts receivable (net)				
Motor finance	258,410	1,574	46,833	306,817
Property bridging finance	107,262	–	6,631	113,893
Total	365,672	1,574	53,464	420,710

As at 31 January 2022	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total £'000
Amounts receivable (capital)				
Motor finance	240,588	7,503	102,426	350,517
Property bridging finance	63,145	–	1,380	64,525
Total	303,733	7,503	103,806	415,042
Loan loss provisions				
Motor finance	(22,129)	(2,769)	(66,583)	(91,481)
Property bridging finance	(446)	–	(200)	(646)
Total	(22,575)	(2,769)	(66,783)	(92,127)
Amounts receivable (net)				
Motor finance	218,459	4,734	35,843	259,036
Property bridging finance	62,699	–	1,180	63,879
Total	281,158	4,734	37,023	322,915

Collateral held

Motor finance – except for loans valued at £4.658m (2022: £4.103m), where we are aware the security is no longer present, security is held on a used vehicle for each hire purchase motor finance agreement. As stated in note 1.13 above, valuing these used vehicles secured under our hire purchase agreements is uncertain as the condition and mileage of the used vehicle are unknown. We estimate the trade value of collateral held at 31.1.23 for motor finance loans currently in stage 3 was £64.5m (2022: £59.0m) – these estimated values are stated before taking into account recovery and disposal costs.

Property bridging finance – the estimated value of first charge secured properties held under our bridging loan facility agreements at 31.1.23 is £184.7m (2022: £107.0m). This includes £13.4m estimated value of properties secured which is held for loan agreements currently in Stage 3 (2022: £1.5m).

Advances in both our motor finance business and our property bridging business are only made with collateral security and this is important in both these markets for the collectability of these loans – there have been no significant changes in the quality of collateral held during the year.

15. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

Loan loss provisions	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000
At 1 February 2021	14,680	12,759	65,475	92,914
Net transfers and changes in credit risk restated	(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
Net transfers and changes in credit risk	(10,020)	(1,905)	(1,710)	(13,635)
New loans originated	15,599	148	11,765	27,512
Total impairment charge to income statement	**5,579**	**(1,757)**	**10,055**	**13,877**
Amounts netted off revenue for stage 3 assets	–	–	8,893	8,893
Utilised provision on write-offs	(398)	(350)	(16,126)	(16,874)
At 31 January 2023	27,756	662	69,605	98,023

There were no significant changes in the capital carrying value of amounts receivable from customers this year which contributed to changes in the loan loss provisions other than growth in new loans originated.

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Amounts owed by subsidiary undertakings	**–**	–	**267,729**	185,590
Other debtors	**55**	300	**10**	11
Prepayments and accrued income	**1,546**	1,439	**94**	100
	1,601	1,739	**267,833**	185,701

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of nil impairment and, other than £130.0m of intercompany receivables from Advantage Finance Limited (2022: £127.0m) and £80.0m of intercompany receivables from Aspen Bridging Limited (2022: £25.0m), which are due after more than one year, the amounts owed by subsidiary undertakings have no fixed maturity date. Under IFRS7 there are no amounts included in trade and other receivables which are past due but not impaired and no amounts which are impaired or have a significant increase in credit risk. The carrying value of trade and other receivables is not materially different to their fair value.

D2 Notes to the Accounts

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Year ended 31 January 2023

17. BORROWINGS INCLUDING BANK OVERDRAFTS AND LOANS

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Bank overdrafts and loans – due within one year	**–**	2,568	**273**	3,147
Bank and other loans – due in more than one year	**195,500**	111,000	**195,500**	111,000
	195,500	113,568	**195,773**	114,147

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 2023:

- a facility for £ 5 million (2022: £5m) which is subject to annual review in June 2023.
- a facility for £2 million (2022: £2m) which has no annual review date.

Total drawdowns of these overdraft facilities at 31 January 2023 were £nil (2022: £2,568,684).

S&U plc had the following revolving credit facilities available at 31 January 2023:

- a facility for £60 million (2022: £60m) which is due for repayment in March 2026.
- a facility for £20 million (2022: £20m) which is due for repayment in March 2025.
- a facility for £80 million (2022: £50m)- £25m of which is due for repayment in April 2026 and £55m of which is due for repayment in March 2027.

S&U plc had the following term loan facilities available at 31 January 2023:

- a facility for £50 million (2022: £50m)- £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 2023 was £273,163 overdrawn (2022: £3,147,713). A maturity analysis of the above borrowings is given in note 22.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Trade creditors	**617**	641	**67**	151
Other creditors including commissions and remuneration payable	**3,985**	3,706	**644**	503
	4,602	4,347	**711**	654

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

19. DEFERRED TAX

Group	Accelerated tax depreciation £000	Share based payments £000	Shadow Share Options £000	Total £000
At 1 February 2021	(86)	58	137	109
Credit/(debit) to income	(47)	4	89	46
Credit to equity	–	(35)	–	(35)
At 31 January 2022	(133)	27	226	120
Credit/(charge) to income	24	1	(7)	18
Charge to equity	–	(28)	–	(28)
At 31 January 2023	(109)	–	219	110

Company	£000	£000	£000	£000
At 1 February 2021	(9)	58	–	49
Credit to income	11	4	6	21
Charge to equity	–	(35)	–	(35)
At 31 January 2022	2	27	6	35
(Charge)/credit to income	(9)	1	16	8
Charge to equity	–	(28)	–	(28)
At 31 January 2023	(7)	–	22	15

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 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.

20. CALLED UP SHARE CAPITAL AND PREFERENCE SHARES

	2023 £000	2022 £000
Called up, allotted and fully paid		
12,150,760 Ordinary shares of 12.5p each (2022: 12,145,260)	**1,519**	1,518
200,000 6.0% Cumulative preference shares of £1 each	**200**	200
Called up share capital	**1,719**	1,718

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 5,500 shares issued during the year relate to issues under the Company's historic LTIP 2010 scheme – see also note 26.

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Year ended 31 January 2023

21. FINANCIAL LIABILITIES

Preference Share Capital	2023 £000	2022 £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.

22. 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 2023 the Group's indebtedness amounted to £192,363,000 (2022: £113,568,000) and the Company's indebtedness amounted to £195,773,000 (2022: £114,417,000). The Group gearing was 85.5% (2022: 54.9%), 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 on page 82 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 2023 of £14.5m (2022: £65.0m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2023 was estimated to be 25% (2022: 25%). The average effective interest rate of financial liabilities of the Group at 31 January 2023 was estimated to be 6% (2022: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2023 was estimated to be 6% (2022: 4%).

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.

22. FINANCIAL INSTRUMENTS (CONTINUED)

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 2023 (2022: 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 1% and a 2% 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 1% higher/lower and all other variables were held constant, the Group's;

- profit for the year ended 31 January 2023 would decrease/increase by £1.3 million (2022: decrease/increase by £0.9million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £1.3million (2022: decrease/increase by £0.9million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

If interest rates had been 2% higher/lower and all other variables were held constant, the Group's;

- profit for the year ended 31 January 2023 would decrease/increase by £2.6million (2022: decrease/increase by £1.7million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £2.6million (2022: decrease/increase by £1.7million). 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 2023 the Group gearing level was 85.5% (2021: 54.9%) 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.

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 (2022: £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.

D2 Notes to the Accounts

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Year ended 31 January 2023

22. FINANCIAL INSTRUMENTS (CONTINUED)

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 around 85.5% results in a positive liquidity position.

Group At 31 January 2023	**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	201,405	67,476	151,829	–	–	420,710
Other assets	–	–	–	–	4,327	4,327
Cash at bank and in hand	3,137	–	–	–	–	3,137
Total assets	204,542	67,476	151,829	–	4,327	428,174
Shareholders' funds	–	–	–	–	(224,885)	(224,885)
Bank overdrafts and loans	–	–	(145,500)	(50,000)	–	(195,500)
Lease liabilities	(166)	(169)	(252)	–	–	(587)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(6,752)	(6,752)
Total liabilities and shareholders' funds	(166)	(169)	(145,752)	(50,450)	(231,637)	(428,174)
Cumulative gap	**204,376**	**271,683**	**277,760**	**227,310**	**–**	**–**

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**	**–**	**–**

22. FINANCIAL INSTRUMENTS (CONTINUED)

Company At 31 January 2023	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	–	–	160,000	50,000	58,295	268,295
Cash at bank and in hand	–	–	–	–	–	–
Total assets	–	–	160,000	50,000	58,295	268,295
Shareholders' funds	–	–	–	–	(70,724)	(70,724)
Bank overdrafts and loans	(273)	–	(145,500)	(50,000)	–	(195,773)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(51)	(71)	(221)	–	–	(343)
Other liabilities	–	–	–	–	(1,005)	(1,005)
Contingent liabilities	–	–	–	–	–	–
Total liabilities and shareholders' funds	(324)	(71)	(145,721)	(50,450)	(71,729)	(268,295)
Cumulative gap	**(324)**	**(395)**	**13,884**	**13,434**	**–**	**–**

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**	**–**	**–**

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Year ended 31 January 2023

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

Group At 31 January 2023	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	4,602	–	–	–	4,602
Tax liabilities	–	888	–	–	–	888
Accruals and deferred income	–	1,262	–	–	–	1,262
Borrowings	–	–	–	145,500	50,000	195,500
Lease liabilities	–	166	169	252	–	587
Financial liabilities	–	–	–	–	450	450
At 31 January 2023	–	6,918	169	145,752	50,450	203,289

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

Company At 31 January 2023	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	273	–	–	–	–	273
Trade and other payables	–	711	–	–	–	711
Tax liabilities	–	69	–	–	–	69
Accruals and deferred income	–	225	–	–	–	225
Borrowings	–	–	–	145,500	50,000	195,500
Lease liabilities	–	51	71	221	–	343
Financial liabilities	–	–	–	–	450	450
At 31 January 2023	273	1,056	71	145,721	50,450	197,571

22. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group 2023 £000	Group 2022 £000	**Company 2023 £000**	Company 2022 £000
Operating Profit	**48,905**	50,790	**13,475**	7,584
Finance costs paid	**(7,495)**	(3,772)	**(142)**	(146)
Finance income received	**–**	–	**2,648**	2,652
Tax (paid)/received	**(7,748)**	(8,749)	**3**	(93)
Depreciation on plant, property and equipment	**525**	529	**85**	81
(Profit)/loss on disposal of plant, property and equipment	**(26)**	13	**(1)**	–
Increase in amounts receivable from customers	**(97,795)**	(42,005)	**–**	–
Decrease/(increase) in trade and other receivables	**138**	(633)	**(82,132)**	(14,622)
Increase in trade and other payables	**255**	1,584	**57**	449
Increase in accruals	**488**	116	**4**	15
Increase in cost of future share based payments	**6**	39	**6**	39
Movement in retirement benefit asset/obligations	**(13)**	(6)	**(13)**	(6)
Net cash used in operating activities	**(62,760)**	(2,094)	**(66,010)**	(4,047)

24. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2023 the Group had £nil capital commitments contracted but not provided for (2022: £122,707). At 31 January 2023, the Company had no capital commitments contracted but not provided for (2022: £nil).

25. 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 2023 was £nil (2022: £nil).

D2 Notes to the Accounts

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Year ended 31 January 2023

26. SHARE BASED PAYMENTS

The Company operated 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 2023	Number Of Share Options 2022
LTIP 2010		
Outstanding at beginning of year	**5,500**	17,000
Granted during the year	**–**	–
Lapsed during the year	**–**	–
Exercised during the year	**(5,500)**	(11,500)
Expired during the year	**–**	–
Outstanding at end of year	**–**	5,500
Exercisable at end of year	**–**	–

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 £24.00 (2022: £23.56).

The weighted average remaining contractual life of the outstanding share options is not applicable as there are no outstanding share options remaining (2022: 2 months).

The Group recognised total share-based payment expenses for LTIP of £6,000 in the year to 31 January 2023 (2022: £39,000).

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).

27. 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 2022. At that valuation it was assumed that the appropriate post retirement discount rate was 1.95% 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 2023. 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 2024 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.

27. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2022 and updated to 31 January 2023 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 2023	At year end 31 January 2022
Rate of increase in salaries		
Pension increases:	**n/a**	n/a
Pre-97 Pension	**0.0%**	0.0%
Post 97 Pension	**3.1%**	4.0%
Discount rate	**4.2%**	2.1%

Mortality assumption for 31 January 2023 comes from the S3PA tables with CMI-2021 1.25% long term trend and for 31 January 2022 mortality assumption was from the S2PA tables with CMI-2020 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 2023 £000	Proportion held at 31 January 2022 £000
Equities	**66%**	62%
Bonds	**21%**	22%
Cash/Other	**13%**	16%
Total market value of assets	**100%**	100%

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

	Jan 23 £000	Jan 22 £000
Fair value of plan assets	**1,092**	1,141
Present value of defined benefit obligations	**(342)**	(483)
Surplus before restriction	**750**	658
Restriction on Surplus	**(750)**	(658)
Pension asset	**0**	0

The amount recognised in the income statements during the year

	Jan 23 £000	Jan 22 £000
Current service cost	**–**	–
Interest on obligation	**11**	6
Expected return on plan assets	**(24)**	(12)
Expense recognised in the income statement	**(13)**	(6)
Opening net (asset)	**–**	–
Expense	**(13)**	(6)
Contributions paid	**–**	–
Actuarial loss	**13**	6
Closing net (asset)	**0**	0

The Accounts

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Year ended 31 January 2023

27. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

Movement in present value of obligation	Jan 23 £000	Jan 22 £000
Present value of obligation at 1 February	**483**	536
Interest cost	**10**	6
Current service cost	**–**	–
Benefits paid	**(38)**	(41)
Actuarial (gain)/loss on obligation – assumptions	**(96)**	(28)
Actuarial (gain)/loss on obligation – experience	**(17)**	10
Present value of obligation at 31 January	**342**	483
Experience adjustment on scheme liabilities		
Actuarial (gain)/loss as percentage of scheme liabilities	**(33%)**	(4%)
Movement in fair value of plan assets		
Fair value of plan assets at 1 February	**1,141**	1,100
Expected return on plan assets	**24**	12
Contributions	**–**	–
Benefits paid	**(38)**	(41)
Actuarial gain/(loss) on plan assets	**(35)**	70
Fair value of plan assets at 31 January	**1,092**	1,141
Experience adjustment on assets		
Actuarial (gain)/loss as percentage of scheme assets	**(3%)**	6%

Five Year Record (Unaudited)

	2019 £000	2020 £000	2021 £000	2022 £000	**2023** **£000**
Continuing Operations Only					
Revenue	82,970	89,939	83,761	87,889	**102,714**
Cost of Sales	(15,751)	(19,872)	(14,264)	(18,771)	**(23,676)**
Impairment	(16,941)	(17,220)	(36,705)	(4,120)	**(13,877)**
Administrative Expenses	(11,177)	(12,863)	(11,096)	(14,208)	**(16,256)**
Operating profit	39,101	39,984	21,696	50,790	**48,905**
Finance Costs (net)	(4,541)	(4,850)	(3,568)	(3,772)	**(7,495)**
Profit before taxation	34,560	35,134	18,128	47,018	**41,410**
Taxation	(6,571)	(6,252)	(3,482)	(9,036)	**(7,692)**
Profit for the year	27,989	28,882	14,646	37,982	**33,718**
Assets employed in all operations					
Fixed assets	2,062	2,108	2,713	2,455	**2,616**
Amounts receivable and other assets	278,751	303,973	282,126	324,774	**425,558**
	280,813	306,081	284,839	327,229	**428,174**
Liabilities	(115,446)	(126,607)	(103,810)	(120,482)	**(203,289)**
Total equity	165,367	179,474	181,029	206,747	**224,885**
Earnings per Ordinary share	233.2p	239.6p	120.7p	312.8p	**277.5p**
Dividends declared per Ordinary share	118.0p	120.0p	90.0p	122.0p	**133.0p**
Group gearing	65.3%	65.7%	54.6%	54.9%	**85.5%**

“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			25 May 2023
Announcement of Results	Half year ending 31 July 2023 Year ending 31 January 2024		3 October 2023 April 2024
Payment of Dividends	6% Cumulative Preference Shares		30 September 2023 & 31 March 2024
	31.5% Cumulative Preference Shares		31 July 2023 & 31 January 2024
	Ordinary Shares	– 2022/23 final	8 July 2023
		– Ex dividend date	16 June 2023
		– Record date	17 June 2023
		– 2022/23 first interim	November 2023
		– 2022/23 second interim	March 2024

Annual General Meeting Arrangements

The Annual General Meeting will take place on 25 May 2023 – 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)
J E C Coombs MA (Oxon) ACA	(Director)
C H Redford ACA	(Group Finance Director)
T G Wheeler	(CEO Advantage Finance)
E H Ahrens	(CEO Aspen Bridging)
D Markou MBE FCA	(Non-executive)
G Pedersen	(Non-executive)
T Khlat MBE	(Non-executive)
J P Maxwell	(Non-executive)

Secretary

C H Redford ACA

Registered office

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

Registrars

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholders can contact Link Group on:
0871 664 0300 (calls cost 10p per minute plus network costs).

Bankers

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

Natwest Bank
250 Bishopsgate
London
EC2M 4AA

Financial Public Relations

SEC Newgate Communications
14 Greville Street,
London
EC1N 8 SB

Solicitors

DLA
Victoria Square
Birmingham
B2 4DL

Stockbrokers

Peel Hunt LLP
7th Floor
100 Liverpool Street
London
EC2M 2AT

Auditor

Mazars LLP
Statutory Auditor
30 Old Bailey
London
EC4M 7AU

Internal Auditor

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

Consultancy, design and production by:
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THE CREDIT YOU DESERVE

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

T: 0121 705 7777

Registered in England No. 342025

www.suplc.co.uk