

S&U

Annual Report and Accounts
for the Year ended 31 January 2018

Stock code: SUS

Strong foundations Confident future

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Welcome to the S&U 2018 Annual Report

S&U plc was founded in 1938. Our aim is to provide Britain's foremost hire purchase motor finance and specialist lending service. Since 1999 our Advantage Finance subsidiary has provided hire purchase motor finance for over 130,000 customers.

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.

Reasons to invest

A track record of growth and profitability.

Exceptional customer service.

A strong balance sheet.

Our Businesses

Motor Finance

Hire purchase motor finance for over 130,000 customers since 1999.

Property Bridging Finance

A brand new start up with promising early trading.

Financial Highlights

from continuing operations

Revenue (£m)
£79.8m
 (2017: £60.5m)

Basic EPS (p)
203.8p
 (2017: 170.7p)

Profit Before Tax (£m)
£30.2m
 (2017: £25.2m)

Dividend Declared (p)
105p
 (2017: 91p)

**Basic
 Earnings per
 Share (p)**
+19%

**Profit
 Before Tax**
+20%

Strategic Report

Group at a Glance	02
A1 Chairman's Statement	03
A2 Business Model and Strategy	07
A2.1 Strategic Review	07
A2.2 Business Review	08
A2.3 Funding Review	08
A2.4 Principal Risks and Uncertainties	09
A3 Statements of Viability and Going Concern	10
A4 Corporate Social Responsibility	14
A4.1 Employees	14
A4.2 Community	14
A4.3 Environment and Health and Safety Policy	14
A4.4 Greenhouse gas (GHG) emissions	15
A5 Approval of Strategic Report	15

Corporate Governance

B1 Board of Directors	16
B2 Directors' Remuneration Report	18
B2.1 Report of the Board to the Shareholders on Remuneration Policy	20
B2.2 Remuneration Policy	29
B2.3 Annual Remuneration Report	37
B3 Governance	37
B3.1 Audit Committee Report	37
B3.2 Corporate Governance	39
B3.3 Compliance Statement	41
B4 Directors' Report	42
B5 Directors' Responsibilities Statement	43

Independent Auditor's Report

C Independent Auditor's Report to the Members of S&U plc	44
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The Accounts

D1 D1.1 Group Income Statement and Statement of Comprehensive Income	53
D1.2 Balance Sheet	54
D1.3 Statement of Changes in Equity	55
D1.4 Cash Flow Statement	56
D2 Notes to the Accounts	57
Five Year Financial Record	80

Other information

Financial Calendar	81
Officers and Professional Advisers	82

→ Read more on **Financial Statements** on page 53

Group at a Glance

Our aim is to provide Britain's foremost motor finance and specialist lending service. We currently have over 54,000 customers and a strong focus on staff recognition, reward and retention is fundamental to our success.

Motor Finance

Set up in 1999, Advantage has grown to be one of the most progressive and innovative motor finance companies in the country and is a member of the Finance and Leasing Association. Advantage employ over 140 people and since 1999 have provided hire purchase motor finance for over 130,000 customers across the UK, growing at the rate of over 20,000 per year.

Operating within the non-prime market sector, Advantage has built its excellent reputation and track record on quality as opposed to quantity. Funding is invested wisely through a very experienced management team the majority of whom have been with the Company since inception. Low staff turnover and a strong focus on reward and recognition are fundamental to the success of Advantage which has achieved 18 consecutive years of record profits.

"Good business is the result of a thousand small improvements rather than a very few revolutionary ones."

Guy Thompson
Managing Director, Advantage Finance

54,000
Advantage
live customer
numbers

24,518 new
agreements
(up 22%)

Property Bridging Finance

Launched in 2017 to fund the burgeoning short term refurbishment and residential markets, Aspen is in its first pilot year. Based in Solihull, the 5 strong team use market leading technology to develop a sophisticated and bespoke underwriting system and are earning a growing reputation for speedy service and consistent delivery amongst its broker partners. Early trading has been promising, as has re-payment experience. Aspen's young, dynamic, but experienced team operate in a market where high street lenders often are not able to service demand with the required speed and flexibility. Through excellent service, Aspen are focussed on building a business to make an important contribution to S&U's profits over the next decade.

Aspen believe that by combining the best parts of traditional bridging with state of the art technology and a single minded focus on service excellence, we bring a modern and fresh approach to the specialist bridging market.

"Aspen believe that by combining the best parts of traditional bridging with state of the art technology and a single minded focus on service excellence, we bring a modern and fresh approach to the specialist bridging market."

Ed Ahrens
Managing Director, Aspen Bridging

→ Read our **Business Review** on page 08

A1 Chairman's Statement

Anthony Coombs
Chairman

Our success in achieving continuous and record growth over the past decade is rooted in our “family” ethos and the confidence this gives our customers, loyal staff, partners and investors

“A healthy market, strong demand, and our focus on quality mean that we look forward with real confidence. I commend these record results.”

For the ninth consecutive year I am proud to announce record profits for S&U plc (“S&U”). Group profit before tax is £30.2m, an increase of 20% on last year (2017: £25.2m). Group revenues are now at £79.8m (2017: £60.5m) reflecting both a 26% increase in customer numbers at Advantage, our motor finance business, and a small but growing contribution from Aspen Bridging, our new property bridging finance operation.

Group loan advances are £165.4m this year (2017: £121.6m) representing an increase of 36%, whilst collections are up by 28.5% at £156.5m. The continued growth in our loan book receivables to £262m has been made possible by a further investment of £56m in our business. Despite this, gearing remains at a sensible 69%; with borrowing of £105m at year end. Our recently increased Group total facilities of £135m give good headroom.

Hence, whatever the current political back-drop and Brexit uncertainty, and irrespective of a slightly slowing economy and the inevitable pressures on real incomes this has brought, S&U views the coming year with quiet determination and real confidence.

Financial Highlights

- Profit before tax (PBT) at £30.2m (2017: £25.2m)
- Earnings per Share (EPS) of 203.8p (2017: 170.7p)
- Group net assets at £152.8m (2017: £139.5m)
- Group gearing at 69% (2017: 35%)
- Record loan applications and new agreements at Advantage
- New funding gives £30m of treasury headroom
- Dividend of 105p per ordinary share up 15% (2017: 91p)

Advantage Finance (“Advantage”)

Despite a recent reported slow-down in the new car market, demand for Advantage’s products and for its excellent customer service remain strong. New agreements at Advantage reached a record 24,500, up over 22% on 2017.

A1 Chairman's Statement

This excellent performance is rooted in the fundamentally large and stable used car market which we finance. The facts speak for themselves. In 2003 7.2m used vehicles were sold in the UK. With a short lived dip to 6.3m in the recession of 2009, the figures have remained broadly constant at 7.3m ever since. Thus in 2003 the value of used car sales was £32bn; in 2014 it was £45bn. Most telling of all was the Finance and Leasing Association's recent report showing that the number of used cars bought on finance in the UK grew by six per cent in 2017 and by 12% in value.

This contrasted with a 7% decline in the number of new cars sold on finance in 2017. Indeed, the used car vehicle finance market can be expected to benefit from the cooling new vehicle market, both in terms of volume and residual values. I quote Professor David Bailey, a car industry expert at Aston University, in the Guardian last year – "in a cooling new car market the second-hand market will probably do better, and in sense that might support residual values of the cars coming onto the second-hand market."

Such prescience has been reflected in Advantage's experience this year, during which we received a record 860,000 applications for finance mainly through its loyal broker network. This enabled us to write a record 24,500 new agreements, an increase of 22% on last year, albeit this reflects under 3% of applications received. Advantage's customers now number over 54,000 a rise of 26% against 43,000 last year. This has resulted in net receivables increasing above the milestone £250m mark at £251.2m (2017: £193.5m). Meanwhile collections increased this year by 26% in line with customer numbers to a record £153.3m (2017: £121.8m).

The size, quality and profitability of Advantage is reward for the hard work and stewardship of the 140 people who work there. No less than 18 years of consistently increasing profit is, I suspect, an almost unparalleled achievement in the often choppy waters of British consumer finance, particularly in the non-prime field. Here, accurate customer selection, appropriate products and the ability to "steer" for changing economic circumstances are paramount. Naturally our customers are not immune to the economic cycle; although the labour market has been strong in recent years, it has been characterised by slightly falling real incomes, as wage growth has failed to keep pace with albeit historically low levels of inflation.

For some customers who have sought to maintain living standards by taking new lines of credit, this has reduced capacity and been reflected in a rise in impairment to £19.4m this year. At 24.6% of revenue this is still relatively low versus the average for the previous 10 years of 27.2%. Further, 18 successive years of profit growth and operational refinement have given Advantage the experience and wisdom to make timely and targeted adjustments to its already sophisticated and sensitive under-writing model. In motoring terms, the shape of the road and the nature of the terrain has made for sensible gear changes, steering tweaks and an easing of the accelerator. The result is proving to be a slightly lower risk adjusted yield of 27% this year (2017: 28%). Early signs of the under-writing changes already made are having a beneficial effect upon both new customer quality and early repayment performance, which we anticipate will lead to a reduction in impairment to revenue in due course.

Speed and consistency of service for our customers and introducer brokers has always been the bedrock of our long-standing relationships, and the quality customers they bring with them. This year has seen the introduction of Dealflo, our paperless and transparent customer management system. In making their finance journey easier and more comprehensible, we are seeing a significant uplift in successful customer transactions. This will sharpen even further Advantage's competitive edge and hence its future growth.

Aspen Bridging ("Aspen")

Aspen, our pilot venture into property based bridging finance, enjoyed a promising first year as it began to establish a name amongst the property broking community for reliable, consistent and, where appropriate, speedy service. Although this process initially proved to be slightly slower than anticipated, Aspen's runrate has increased so that it now has nearly £11m of amounts receivable from customers and a niche place in the buoyant small ticket refurbishment market. Given the fundamental mismatch between the demand and supply of housing in the UK at present, this is the sector of the property market in the most robust health, particularly in the provinces.

Aspen has a small dedicated team of five who provide a uniquely bespoke approach to every deal, visit every property and have already been nominated for industry wide under-writing and customer service awards. Their enthusiasm, an interesting market and a creditable first year result, make this new venture a very promising one.

**Motor
finance net
receivables
increased 30%
to £251.2m**

**Earnings
per share
up 19% to
203.8p**

Dividends

The long term and consistent success of S&U has been rightly reflected in increasing rewards for shareholders, both in share value and dividend. Again this year our trading performance and prospects determine your Board to recommend a final dividend of 45p per ordinary share (2017: 39p). This will be paid on 6 July 2018 to ordinary shareholders on the share register at 15 June 2018. This payment will be made subject to the approval of shareholders at the AGM to be held on 18 May 2018.

The proposed final dividend will mean that total dividends paid this year will be 105p per ordinary share, a 15% increase on 2017, and well over double that paid five years ago. This increase represents not only further reward for our loyal shareholders, but a further step towards our aim of covering declared dividends twice from earnings.

Funding Review

As predicted, the continuing success and growth of Advantage and the launch of Aspen have required further investment by S&U. This year we invested a record £56m leading to year end borrowings of £105m. Although a maturing book and lower rates of growth will reduce funding demands in the coming year, we have nevertheless deemed it prudent to put in place further committed facilities which now total £135m with earliest maturity in 2021.

The excellent support we enjoy from our small panel of funders thus facilitates the “steady sustainable growth” which has long been S&U’s mantra.

IFRS9 new accounting standard

From 1 February 2018 and for our accounts for the forthcoming year ending 31 January 2019, IFRS9 “Financial Instruments” replaces IAS 39 for the way we value and measure our financial assets. In particular, IFRS9 requires the impairment of our customer receivables to be recognised through an expected loss model rather than IAS 39’s emphasis on historical impairment triggers. As S&U customer receivables have been growing, the earlier expected loss provisioning under IFRS9 increases overall provisions at 1 February 2018. Therefore the overall impact of the new standard will be a small reduction in the carrying value of receivables on the balance sheet and our preliminary assessment is that it will have an impact of between 1% and 2% of net receivables. This day one impact will be charged to equity after adjusting related deferred tax balances.

As this is an accounting adjustment, there is no impact on either the Group’s cash flows or on the underlying profitability of its loans.

Regulation, Governance and Investors

We have seen new regulation including MiFIDII, the new General Data Protection Regulations which govern contacts we can make with customers, particularly former ones; and the review of the motor finance industry by the FCA.

The latter we view with equanimity, primarily because of the very high standards of service we offer our customers and the skill and forbearance we exercise

A1 Chairman's Statement

throughout the customer journey and in particular when any get into genuine difficulty. Our collections, legal and under-writing departments at Advantage have all been strengthened this year, and our processes and documentation are reviewed by RSM, our internal auditors, and by Shoosmiths, our consumer finance legal advisors. The results are regularly reported to the Audit Committee.

At Advantage, either directly or through our excellent trade body the Finance and Leasing Association, we have a good and longstanding relationship with the FCA; indeed our Director of Credit Risk, Alan Tuplin, serves as chairman of the Credit and Risk Committee within the FLA.

Aspen operates in the secure bridging property finance space, which is non-regulated due to the nature of its products and clients. However, we have insisted for both commercial and prudential reasons that during our pilot stage, that we adopt standards more in line with regulated mortgages. Together with strong partnerships with Brightstone, our specialist legal advisors, and VAS, our property valuation advisors, this reinforces high levels of service, and will bring its rewards as the business develops.

The past year has seen us welcome both new brokers in Peel Hunt, and new financial PR and Investor Relations Advisers in CAG/Newgate. Both impressed following an extensive trawl of the market and will strengthen S&U's market profile, investors' understanding of our business, and our ability to reach out to new shareholders both here and abroad.

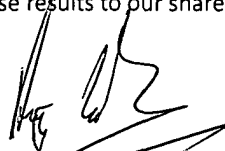
Finally, good governance depends not only upon the regulatory framework but on the ethics and standards of those who work and invest in the business. S&U has always prided itself on its "family" ethos and upon the identity of interest between shareholders and management that this brings. In turn, this encourages sustainable growth and responsible husbandry, and will continue to do so.

Current Trading and Outlook

As our founder, Clifford Coombs, used to say "success breeds success" and I am delighted to report on another year of strong profit growth for S&U. However, it also brings competition and, in the finance business, a need to evaluate and constantly recalibrate a growing book of customers, according to our collections experience and the economic environment in which we operate.

Our long-serving and experienced teams at Advantage, and increasingly at Aspen, are able to do this and thus ensure that the growth we achieve is both sustainable and consistently profitable. All we do depends on the loyalty and hard work of our people for which I am profoundly grateful.

Whatever the wider political or economic headwinds, the markets in which we operate remain strong. Recent data from the Finance and Leasing Association showed used car sales increased by 6% in number and 12% in value in 2017 whilst the UK property market remains robust. This combination of healthy market conditions, a strong demand for our products and our focus on quality, lead us to look ahead with real confidence. I commend these results to our shareholders.



Anthony Coombs
Chairman
26 March 2018

A2 Business Model and Strategy

A2.1 Strategic Review

S&U PLC now operates in two areas of specialist finance. The first and most established is Advantage Finance, based in Grimsby and engaged for the past 18 years in the non prime sector of the motor finance business. During those 18 years the remarkable success of Advantage in producing competitive finance products, lent responsibly with excellent customer service has been reflected in an almost unique record of 18 years of consistently increasing profits.

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

As a result Advantage currently receives over 800,000 applications a year and has written no less than 130,000 customer loans since starting trading in 1999.

In practice this translates into simple HP products, repaid over an average of just over four years and ranging in loan size from £3,000 to £12,000 with an average of £6,200. The increasing quality of the used cars Advantage finances gives customers the reliability they need to get to work and to provide family transport. Advantage's success in serving this demographic group has rested on three pillars. The first is the buoyancy of the used car market in which it operates and in which it has an increasing share. Latest figures from the Society of motor manufacturers and traders showed the used car market in the UK last year comprised 8.11 million sales, the second highest only to 2016 in history. The value of that market is estimated at £45bn (British Car Auctions). Over 1.1 million vehicles are bought on finance, a market worth around £12bn a year. Around two-thirds or 700,000 vehicles are financed on hire purchase, a simple and transparent product suited to Advantage's demographic, which remains resistant to more complex personal contract lease plans.

The second pillar of Advantage's success relates to its own commitment to excellence. The quality of our relationship with introducing brokers, dealers and our customers is based upon a continuous and relentless search for product and service improvement. As Guy

Thompson, Advantage's founder and Managing Director points out, good business is the result of a thousand small improvements rather than a very few revolutionary ones. Whilst recognising the importance of its statutory obligations and relationship with the Financial Conduct Authority in ensuring that customers are treated fairly, Advantage's care for its customers is embedded deeply in its business culture. For instance this year it has introduced DealFlo which is specifically designed to make the customers finance journey simpler, easier to understand and more transparent. Above all good business is founded on good ethical principles to which companies and customers ascribe.

The third pillar of Advantage's success depends upon its proven ability to adapt to a changing economy and labour market and the impact they may have on our customers. Non prime finance customers may have less income flexibility than others, and may have payment records marred by unemployment, divorce or other difficulties. Advantage's predictive under-writing model, garnered from information available through credit reference agencies like Experian and through our repayment experience over 18 years, is state of the art. It is constantly recalibrated to take account of changes in real income and affordability and of socio economic data to a post code level. Advantage's underwriting score system therefore continuously evolves to reflect changes in customer circumstances.

The past year has seen the launch of Aspen Bridging, a pilot in the property bridging finance field. It is positioned to take advantage of a housing market characterised by a fundamental and long-term mismatch between supply and demand. A generally poor quality British housing stock twinned with unmet demand for inexpensive, quality housing, have seen an upsurge in demand for bridging loans, from investors and entrepreneurs needing a bridge for refurbishment and improvement currently in anticipation of a sale or a refinancing if the property is to be held for investment. Currently mainstream banks are not adept at providing bespoke finance which is fast and flexible. Hence the opportunities in this market are significant.

Our over-arching factor in the success of our business over nearly 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.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

A2 Business Model and Strategy

A2.2 Business Review

Operating Results from continuing operations

	Year ended 31 January 2018 £m	Year ended 31 January 2017 £m
Revenue	79.8	60.5
Cost of Sales	(36.9)	(25.0)
Gross Profit	42.9	35.5
Administrative Expenses	(9.9)	(8.6)
Operating Profit	33.0	26.9
Finance Costs (Net)	(2.8)	(1.7)
Profit before Taxation	30.2	25.2

Advantage Motor Finance

Highlights:

- 18th successive year of record profits of £30.2m (2017: £25.2m)
- New loan transactions at a record 24,500 (2017: 20,000)
- Net receivables at a record £251.2m (2017: £193.5m) an increase of 30%
- Customer numbers reached a record 54,000 (2017: 43,000)
- 8% increase in acquisition cost per deal this year, total admin expenses and finance costs up by 23%
- Total collections at £153.3m (2017: £121.8m) an increase of 26%
- Risk Adjusted Yield* at 27% (2017: 28%) and a Return on Capital Employed** of 16.1% (2017: 17.5%)
- Profit per full time employee at a record £234,000 (2017: £229,000)

A remarkable 18 years of increased profits at Advantage has seen a recent milestone of £250m receivables, an increase of 30% on last year, and a record level of collections of £153.3m up 26% in the same period. The disparity between the two increases is explained by a small increase in loan term, by the timing of new deals towards the second half of the year and by an increase in impairment, albeit not to historically elevated levels. This is due to both product mix and some pressure on real incomes for a small minority of customers. Advantage has strengthened its collection capability to assist these customers whilst under-writing requirements on affordability and the calculation of disposable income are being continuously refined. We expect these changes to help reverse the marginal reduction last year in both risk adjusted yield and return on capital employed

and underpin our confidence for whatever economic conditions lie ahead.

* "Risk Adjusted Yield" is calculated as Revenue net of Loan loss provisioning charge divided by average net receivables during the period.

** "Return on Capital Employed" is calculated as Operating Profit before finance costs divided by the average Capital Employed during the period. Capital Employed is the sum of Bank Overdrafts plus Borrowings less Cash and Cash Equivalents plus Total Equity.

Aspen Property Bridging Finance

Highlights:

- Successful launch of flat rate and low-start products
- Team of five gaining credibility and support within the bridging broking community
- £11m loan book and 35 new bridging loan facilities in the year
- Promising early repayment record

Aspen, our new bridging operation has made a promising start. Now comprised of five full-time and enthusiastic staff, it is building a reputation amongst the bridging finance broker community for speedy, reliable and flexible service. The standard of service it provides has already been recognised in securing nominations for industry wide awards. Each loan applicant has a dedicated account manager and, each property, after undergoing a local valuation which is reviewed by an independent in-house bridging expert, is then visited and assessed by Aspen staff. Momentum is growing and the planned review of this promising pilot business will take place later in the year.

A2.3 Funding Review

The launch of Aspen and the continuing growth of Advantage has seen S&U invest a further £56m in the business this year (2017: £37m). Group gearing*** is now 69% (2017: 35%) well within our covenanted limits and, more importantly, within the conservative trading appetite traditionally associated with S&U.

During the last 12 months a further £40m of term banking facilities have been put in place so that facilities now stand at £135m against £95m last year. The year-end borrowing of £105m means that substantial headroom is in place for further growth.

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

A2.4 Principal Risks and Uncertainties

There have been no material changes in the principal risks and uncertainties in the last year.

A2.4.1 Consumer and Economic risks including the value of security

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 customer ability to repay. The Group exclusively operates in the UK market and it is very difficult to anticipate the effects of Brexit on the environment generally or on our customers. The Group is particularly exposed to the non-prime motor finance sector and within that to the values of used vehicles which are used as security. These credit, economic and concentration risks are principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation.

These well tried and tested methods will be equally important in limiting risk at Aspen Bridging. Historically impairment rates in this market are extremely low, principally because loan to value calculations are conservative, interest is retained up front, and loan periods are a maximum of one year. Further Aspen has introduced a variety of controls to limit risk in a heavily under supplied housing market.

A2.4.2 Funding and Liquidity Risk

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

A2.4.3 Legal, Regulatory and Conduct Risk

In terms of legal risk, the Group is subject to legislation including consumer credit legislation which contains very detailed and highly technical requirements. The Group has procedures in place and employs dedicated compliance resource and specialist legal advisers to ensure compliance with this legislation. As a regulated lender Advantage Finance Limited applied for a standard FCA licence in 2016 and received renewed authorisation. Advantage directors are prominent members of the Finance and Leasing Association's committees and, through them, regularly liaise with the FCA. Regulatory Risk is addressed by the constant review and monitoring of Advantage's internal controls and processes. This process is buttressed by specific advice from Trade and other organisations and by the work of our internal auditors.

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

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

A2.4.4 Other Operational Risks

Other operational risks are endemic to any finance business. Rigorous procedures, detailed recovery plans and, above all, sound experience and commercial common sense provides Advantage and the Group with appropriate protection. In particular recent work has been focused on Cyber Security. Although breaches are rare, a review has been completed internally and monitored by RSM, our internal auditors. This will be an ongoing process overseen by the Audit Committee.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

A3 Statements 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 and risk evaluation cycles and concluded that a three year period was appropriate for viability assessment. The directors therefore considered the three year period commencing 1 February 2018 and assessed:

- funding and financial forecasts for this period and the underlying assumptions;
- information regarding the principal risks noted in A2.4 above;
- 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 2018.

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 and liquidity 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.

Our Customers

Mr F

Mr F is a 44 year old HGV driver living with his partner in West Yorkshire and was in the market for a newer car. Although he earns approx. £2,600 per month and paid all his bills on time, he knew that a County Court Judgement from five years ago would still hamper any application for motor finance from most lenders so he approached a web based motor finance broker to see if they could place him with a suitable provider.

The application was placed by the broker with Advantage, whose systems were able to electronically assess and approve the application within seconds. This assessment included a full appraisal of existing credit reference data and an electronic income verification check.

Despite the historic CCJ, Mr F's application was able to satisfy Advantage's underwriting and affordability requirements and as a result a credit limit was conveyed to Mr F by telephone to allow him to start his search of a suitable vehicle. Knowing that he already had the funds secured also allowed him to drive a hard bargain with his chosen motor dealer.

After a few days, Mr F notified us that he had chosen to purchase a Ford Mondeo from a local dealer. Once the vehicle's history had been checked by Advantage the monthly payments and agreement term were discussed and agreed by Mr F with an Advantage Customer Service Adviser.

The relevant documentation was created and sent to Mr F for electronic signature. This process was completed very quickly and Mr F was able to review and electronically sign the agreement within an hour of his notification to Advantage. As soon as this was completed, Advantage were able to make payment to the dealer and the vehicle was available for Mr F to collect.

Shortly after the loan had been set up, Mr F was contacted as part of the Advantage customer care program in order to confirm that the vehicle had been successfully collected and to confirm that everything was set up regarding his payments. Mr F expressed his satisfaction for the speed and professionalism and also placed the following comments on an online customer review site:

"Brilliant service Natalie couldn't have been more helpful, told me what I was approved up to with no pressure and gave me time to go find the car I was after at 9am by 11 o'clock it was all sorted out. Communication was spot on direct numbers with real people on the other end just the way I like it well done guys"

Mr F	Ford Mondeo
Cash Price	£6495
Deposit	£0
Advance	£6495
LTV	78.9%
Monthly Payment	£223.28 x 48m
Net Income	£2600
Credit Profile	1 x CCJ 2012
	Active up to date bank account, communications and utilities
	No other outstanding credit

Our Customers

Mr S

Mr S lives in Norwich and works for as a Support Worker for a medical rehabilitation provider.

He first took out motor finance with Advantage in 2012, the loan being paid off at the end of its term in 2016. In late 2017 Mr S was again looking for financial support to allow a change of vehicle and made a direct approach to Advantage in order to enquire about assistance for his motor finance requirements, and dealt with Beth, a customer advisor working as part of the Advantage new business team.

Mr S's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for his circumstances. Although there were two small credit defaults showing from several years ago, these were also confirmed to have been fully settled, and there were no other current credit commitments. Of course, Mr S's previous Advantage loan was also present which itself had an excellent payment history.

Mr S's application was approved and after being given an indication of his credit limit, settled on an Audi A4 from a dealer of his choice. After agreeing to a £1,500 part-exchange allowance on his previous vehicle with the dealer to be deducted from the £5,995 purchase price, Advantage provided a £4,495 loan to be repaid over 42 months at monthly repayments well suited to Mr S's budget and a very similar level to those payments made on his previous agreement.

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

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

"First of all I would like to thank Beth for her outstanding assistance regarding my finance package and all her help through the very short period it took to arrange. This is the second time I have used Advantage and I must say that dealing with the company is a pleasure all together it took less than 48 hours to secure the car I wanted... So big well done to all concerned. And to all those people looking for motor finance please try Advantage first you won't be disappointed."

Our Customers

Mrs N

Mrs N works as a local government officer and takes home approx. £2,500 per month plus expenses and in May 2017 was looking for an economical vehicle to provide her transport requirements within the city.

Her credit rating had been damaged by a default that was registered in connection with a previous loan some four years earlier although she had an otherwise perfect history of satisfactory repayment of all other past and current credit, together with minimal current credit commitments.

An application for motor finance was made via a leading internet broker who passed it to Advantage for consideration. After conducting a credit reference enquiry and confirming income via payslips Advantage was able to confirm that Mrs N's circumstances met its lending and affordability criteria and was able to convey a credit limit for Mrs N to work with as she searched for a suitable vehicle.

As it turned out, Mrs N chose one vehicle which Advantage were happy to finance but then changed her mind and ended up deciding to purchase a Honda Jazz, with affordable monthly repayments of £127, from a local dealer.

Mrs N was contacted shortly after the loan was set up to confirm that the vehicle had been successfully collected and that she was happy with the overall transaction. A more convenient monthly repayment date was also arranged as part of the call and each monthly repayment has since been paid without problem.

Mrs N left a 'five star' review on Google following her experience of dealing with Advantage.

A4 Corporate Social Responsibility

A4.1 Employees

S&U maintains a “family ethos” for all those who work within it. We pride ourselves on the centrality of the customer – staff relationship in all our operations. We therefore ensure that all staff receive appropriate initial training and regular re-training in the field and in areas of specialism. We encourage employees to gain professional qualifications where appropriate. External management training is also undertaken in the motor finance division.

The FCA Regulatory regime is centred on our Treating Customers Fairly. All employees within the Group are required to demonstrate appropriate knowledge and skills. This formalises and deepens our existing good customer practice. Such practice will continue to permeate the Group at every level and on a day to day basis.

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. People prosper and are promoted within S&U purely on merit.

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

A4.2 Community

S&U does not exist in a vacuum. Our success depends upon our understanding the customers we serve. Where this may not be the case, we have well established policies for any who may wish to complain, routed to our Compliance Department in Grimsby. Our records demonstrate we enjoy high levels of customer satisfaction and 62 of only 105 complaints which reached the Financial Ombudsman Service were decided in the Group’s favour (2017: 85 of 99 complaints were decided in the Group’s favour). The increase in upheld complaints in the year to 31 January 2018 related to 77% of complaints being related to the satisfactory quality of the vehicle (2017: 37%).

S&U supports its wider community through charitable giving and activities relating to fundraising. During the year the Group gave over £89,000 (2017: £52,000) in charitable contributions, most of it through the Keith Coombs Trust. The Trust which Anthony Coombs chairs, but which has a Board of independent trustees, mainly gives to charities helping children with disabilities. Last year the Company supported the National Institute for Conductive Education, which deals with adults and children with cerebral palsy, strokes and head injuries, and other charities supporting disadvantaged and disabled children and young people.

Last May Anthony and Graham Coombs, trustees and supporters of the Keith Coombs Trust, along with Ed Ahrens, Managing Director of Aspen Bridging participated in a “Bridge Too Far” cycle challenge in France along some of the route of the Tour de France to raise money for the Keith Coombs Trust.

The Group also makes financial contributions in the artistic and sporting fields, particularly in order to develop young talent. It was the initial sponsor of the new “Ballet Now” an initiative at the Birmingham Royal Ballet which encourages young choreographers, designers and composers. In addition it works with Chance to Shine, the MCC sponsored cricket charity, providing play facilities for youngsters in the most deprived areas of Birmingham.

A4.3 Environment and Health and Safety Policy

The Group is not engaged in manufacturing or other processes which might compromise the health and safety of our staff or our visitors. Appropriate checks are made on all who join the Company, mainly to prove their financial integrity and stability and their suitability to deal with our customers.

S&U makes sure its staff are aware of how they can promote their personal safety. S&U is engaged in the finance field and therefore its overall environmental impact is considered to be low. The main area of environmental impact is made by its employees as they drive about their daily activities.

A4.4 Greenhouse gas (GHG) emissions

This section includes our mandatory reporting of greenhouse gas emissions required to be reported under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

This greenhouse gas reporting year has been established to align with our financial reporting year, being 1 February 2017 to 31 January 2018.

Greenhouse gas emissions data

For period 1 February 2017 to 31 January 2018

	Tonnes CO ₂	
	Year ended	Year ended
	31 Jan	31 Jan
	2018	2017
Scope 1		
(Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	107	121
Gas consumption	20	18
Air conditioning systems	34	27
Scope 2		
(Energy indirect emissions)		
Purchased electricity	59	79
Total scope 1 and 2	220	245
Scope 3		
(Other indirect emissions)		
Water consumption	1	1
Waste	7	5
Total scope 1, 2 and 3	228	251
Company's chosen intensity measurement:		
Normalised tonnes scope 1, 2 and 3 CO ₂ e per £m turnover	2.9	4.1

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

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

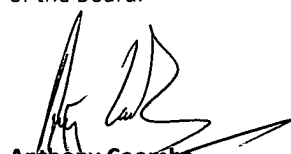
The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food & Rural Affairs ("DEFRA"). We have also utilised DEFRA'S 2017 conversion factors within our reporting methodology.

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

A5. 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
26 March 2018

B1 Board of Directors

1

Anthony Coombs MA (Oxon)

Chairman

(Nominations Committee)

Joined S&U in 1975 and Chairman since 2008. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. He is a director and trustee of a number of companies and charities, including Premier Christian Media and the Birmingham Royal Ballet.

2

Graham Coombs MA (Oxon) MSc (Lon)

Deputy Chairman

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

3

Chris Redford ACA

Group Finance Director

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

Guy Thompson

Managing Director Advantage Finance

Guy joined the Group in 1999 as Managing Director of Advantage Finance and has overseen an excellent performance in their first 18 years. Guy has a strong track record in the finance and motor sectors and since his appointment brings these skills to the Board of S&U plc.

5

Demetrios Markou MBE FCA

Non-executive

(Nominations, Audit and Remuneration Committees)

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

6

Graham Pedersen

Non-executive

(Nominations, Audit and Remuneration Committees)

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

7

Fiann Coombs BA (Lon) MSc (Lon)

Non-executive

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

8

Tarek Khlat

Non-executive

(Nominations, Audit and Remuneration Committees)

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

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

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 2018.

As discussed on page 08 trading has been very strong and demand for Advantage's motor finance has seen a record number of transactions during the year, defying recent reports of a slowing car market. An increase in customer numbers has been backed by improvements in initial customer quality scores. This performance has been led by Guy Thompson, the Managing Director of Advantage Finance. The Board is pleased to announce that Guy has agreed to stay with the business beyond his planned retirement which will provide continuity and enable the business to continue to deliver record breaking performance. Recognising Guy's excellent performance and exceptional commitment to remain with the business, the Remuneration Committee is proposing to make an award of shadow share options to Guy in August 2018 and August 2019. The vesting of these shadow share options will be subject to continued employment to August 2020 and to achieving specified PBT and ROCE targets for the years ending 31 January 2019 and 2020 respectively. The shadow share options will give Guy the opportunity to receive a cash payment equal to the value of 12,000 shares for each award when the awards are exercised. The combined maximum value of awards under the annual bonus and shadow share options will not exceed 200% of salary, in line with the exceptional circumstances limit in the Remuneration Policy approved by shareholders at last year's AGM. For the avoidance of doubt, there will be no normal LTIP awards granted to Guy Thompson in 2018 or 2019 in addition to the shadow share option awards. To facilitate the award of shadow share options to Guy some minor amendments to the Remuneration Policy and the LTIP rules are required for which shareholder approval is being sought at the 2018 AGM.

The Directors' Remuneration Report therefore sets out the amended Remuneration Policy (which will be subject to a binding shareholder vote at the 2018 AGM) and the Annual Remuneration Report which provides details of the amounts earned in respect of the year ended 31 January 2018 and how the Remuneration Policy will be operated for the year commencing 1 February 2018 (this is subject to an advisory vote at the 2018 AGM).

2017/18 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.

The year ending 31 January 2018 saw a record 24,500 transactions in the year for Advantage's motor finance and Aspen Bridging has lent over £10m with early repayments in line with our expectations. Whilst the political and economic uncertainties inherent in both the Brexit negotiations and a slowing economy remain, S&U has continued to demonstrate its historic ability to produce excellent results and strong, sustainable growth.

Based on the underlying profit performance of the Group, the Remuneration Committee judged the extent to which annual bonus targets had been met. Although Group PBT for the year was £30.2m, just below the target PBT of £30.5m, in light of the strong personal performance and excellent wider Group financial performance the Remuneration Committee concluded that a bonus of £45,000 would be awarded to Chris Redford, with a further £15,000 deferred and subject to the Group's PBT performance for the year ending 31 January 2019. No bonus was paid to either Anthony Coombs or Graham Coombs.

Based on the underlying profit performance of Advantage, the Remuneration Committee judged the extent to which Guy Thompson's annual bonus targets had been met. Consequently, a bonus of £150,000 was awarded to Guy Thompson with a further £150,000 deferred and subject to the PBT performance of Advantage for the year ending 31 January 2019. As disclosed in last year's Directors' Remuneration Report, a deferred bonus of £25,000 from last year was deemed payable based on Advantage PBT performance for the year ending 31 January 2018.

No options were granted under the LTIP or DSOP schemes for the year ending 31 January 2018.

Key remuneration decisions for the year ending 31 January 2019

The Remuneration Committee approved salary increases for the executive directors of between 1.6% and 2.6% with effect from 1 February 2018 after carefully considering their performance and taking into account the range of salary increases awarded to the wider work force.

For the year ending 31 January 2019, no changes are proposed to the maximum annual bonus opportunities for the executive directors, which remain at £50,000 for Anthony Coombs and Graham Coombs, at £60,000 for Chris Redford and £300,000 for Guy Thompson. The annual bonuses will continue to be assessed against stretching divisional and group PBT targets and in Chris Redford's case, Return on Capital Employed (ROCE) with up to 50% of any bonus award being deferred.

The Committee intends to grant 5,000 share options under the LTIP to Chris Redford, subject to achieving certain PBT and ROCE targets for the year ending 31 January 2019.

As discussed above, to support the retention of Guy Thompson and ensure his continued alignment to shareholders, subject to the approval of the minor amendments to the Remuneration Policy and LTIP rules at the 2018 AGM, he will be awarded 12,000 shadow share options in August 2018 and a further 12,000 shadow share options in August 2019. These shadow share options will be subject to achieving specified PBT targets for the years ending 31 January 2019 and 2020 respectively and Guy Thompson's continued employment to August 2020. In addition to the above, the two awards will not be exercisable until August 2021 and 2022 respectively. The shadow share options will give Guy the opportunity to receive a cash payment equal to the value of 12,000 shares for each award when the awards are exercised. It is proposed that these awards are satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company's share price in order to retain long term alignment.

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

For the year ending 31 January 2019, the Remuneration Committee considers that the significant shareholding held by Graham Coombs and Anthony Coombs similarly provides adequate alignment to shareholders.

An increase from £31,000 to £33,000 has been proposed in respect of fees for the year ended 31 January 2019 for the non-executive directors and an increase to £35,000 for the senior non-executive director.

The Remuneration Committee continues to welcome Shareholder feedback on their remuneration decisions or on any issue related to executive remuneration. I commend this report to Shareholders and ask that you support the resolutions to approve the Company's Remuneration Policy and the Annual Remuneration Report at the Company's AGM on 18 May 2018.

Tarek Khlaf

Chairman of the Remuneration Committee
26 March 2018

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

B2.2 REMUNERATION POLICY REPORT

This section sets out the Remuneration Policy for executive directors and non-executive directors, which Shareholders will be asked to approve at the AGM on 18 May 2018. Until this time the Policy approved by Shareholders at the AGM on 18 May 2017 will continue to apply. As set out in the Remuneration Committee Chairman's letter starting on page 18, the changes proposed are intended to enable shadow share option awards to be granted to Guy Thompson in recognition of his excellent performance and exceptional commitment to remain with the business. A summary of the main changes that have been made to the Remuneration Policy are outlined below.

Current Policy	Proposed changes and rationale
The maximum variable remuneration which may be granted (other than in exceptional circumstances) from combined annual bonus awards and LTIP awards is 150% of salary.	No change to overall maximum variable remuneration which may be granted.
In exceptional circumstances, the maximum variable remuneration which may be granted is 200% of salary.	Policy is amended as follows to facilitate the grant of 12,000 shadow share options (subject to such adjustment as the Committee determines to reflect any variation in the Company's share capital) to Guy Thompson in August 2018 and August 2019 as outlined in the statement from the Remuneration Committee Chairman.
Up to 40% of the bonus earned is to be deferred for at least twelve months and usually subject to performance targets in the deferral period and continued employment.	• Ability to grant shadow share options under the LTIP subject to continued employment and performance conditions and subject to the 200% variable remuneration limit in exceptional circumstances. • The shadow share options will provide the opportunity to receive a cash payment equal to the value of the shadow shares under option when the awards are exercised. It is proposed that these awards are satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company's share price in order to retain long term alignment.
	The maximum deferral of the annual bonus has also been increased from up to 40% of the bonus earned to up to 50% of the bonus earned.

The following table describes each of the components of the remuneration package for executive directors:

Component	Purpose	Operation	Opportunity	Performance Measures
Base salary	To help recruit and retain executive directors. To provide the core element of fixed remuneration, which reflects the director's experience and the size and scope of the role.	Normally reviewed annually and fixed for 12 months, but may be reviewed more frequently in cases where an individual changes position or responsibility. Salaries are determined by the Remuneration Committee, who will take into account a range of factors, including, but not limited to: • Role, experience and individual performance; • Corporate and individual performance; • Pay levels for comparable positions in companies of a similar size and complexity; and • Group profitability and organisational salary budgets.	No maximum salary opportunity has been set out in this policy report to avoid setting expectations for executive directors and employees. The base salaries effective as at 1 February 2018 are shown on page 31. The Remuneration Committee has resolved to move base salaries progressively to a level which is market competitive taking account of individual factors such as: • Increased individual responsibilities; • Performance in role; • A new executive director being moved to market positioning over time; • Remuneration trends within the financial services industry; and • Alignment to market level.	N/A
Benefits	To provide cost-effective benefits to help recruit and retain executive directors, through ensuring a competitive overall remuneration package.	Executive directors are entitled to a range of benefits in line with market practice, including, but not limited to, private medical insurance, and a company car. Other benefits may be provided based on individual circumstances. These may include, for example, permanent health cover, death in service benefit, relocation and travel allowances.	Whilst the Remuneration Committee has not set an absolute maximum, the value of benefits is set at a level which the Remuneration Committee considers is appropriately positioned against companies of a similar size and complexity in the relevant market.	N/A

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

Component	Purpose	Operation	Opportunity	Performance Measures
Annual Bonuses	To reward executive directors for the achievement of the annual financial and individual targets. Provide alignment with Shareholders' interests.	Targets are set annually and any pay-out is determined by the Remuneration Committee after the period-end, based on performance against those targets. The Remuneration Committee may adjust the bonus pay-out either up or down should the formulaic outcome be considered not to produce a fair result for either the executive director or the Company, taking account of the Remuneration Committee's assessment of overall business performance. Up to 50% of the bonus earned to be deferred (in cash) for at least twelve months and usually subject to meeting specified performance targets in the deferral period and continued employment.	Up to 150% of base salary (and up to 200% of salary in exceptional circumstances). The combined annual bonus and LTIP opportunities for any year cannot exceed 150% of base salary (and up to 200% of salary in exceptional circumstances).	Targets are set annually, reflecting the Group's strategy and alignment with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. Vesting of the annual bonus will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which the performance metrics have been met.

Component	Purpose	Operation	Opportunity	Performance Measures
Long Term Incentive Plan (LTIP) 2010	To provide an incentive to executive directors to achieve the annual and longer term financial and strategic business targets and to align their interests with those of Shareholders.	The LTIP was approved by Shareholders at the 2010 AGM.	The LTIP allows for the grant of options (or shadow share options) over shares worth up to 50% of base salary in any plan year (and up to 150% of salary in exceptional circumstances including recruitment and retention).	The grant and/or vesting of LTIP options (including shadow share options) is subject to the satisfaction of performance targets set by the Remuneration Committee.
		The Remuneration Committee may grant nil-priced or nominal-priced options to acquire shares in the Company or shadow share options that would deliver the equivalent value in cash.		
		The grant and/or vesting of options (including shadow share options) is dependent on the achievement of such performance conditions as the Remuneration Committee determines, measured over a minimum period of one year. Options (and shadow share options) will normally become exercisable three years from the date of grant subject to satisfaction of the performance conditions and the continued employment of the participant by the Group for such period as specified by the Committee.	The combined annual bonus and LTIP (including shadow share options) opportunities for any year cannot exceed 200% of base salary.	The performance measures are reviewed regularly to ensure they remain relevant but will be based on individual and/or financial measures and/or share price growth related measures.
		LTIP options (and shadow share options) vest early on a change of control (or other relevant event) unless the Remuneration Committee determines otherwise, taking into account the performance conditions (as determined by the Remuneration Committee) and pro-rating for time, although the Remuneration Committee has discretion not to apply time pro-rating.	In applying these limits no account will be taken of shares which have been awarded to ensure that a participant is not financially disadvantaged if he agrees to satisfy the Group's social security liability in relation to his option.	The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities.
		As described on page 26 LTIP (and shadow share options) awards may also vest early in "good leaver" circumstances.		Vesting of LTIP options (and shadow share options) will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which the performance metrics have been met.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

Component	Purpose	Operation	Opportunity	Performance Measures
Retirement benefits	To provide competitive retirement benefits to help recruit and retain executive directors	The Company offers defined contribution pensions to all executive directors. In appropriate circumstances, executive directors may take a salary supplement instead of contributions into a pension plan.	Maximum contributions for a director will be up to 20% of base salary.	N/A

The following table provides a summary of the key components of the remuneration package for non-executive directors:

Component	Purpose	Operation	Opportunity
Fees	To provide the core fixed element of remuneration for the particular non-executive director role.	The Board of directors determines non-executive fees, taking into account the skills, knowledge, and experience of the individual, whilst taking into account appropriate market data. Directors may be entitled to benefits such as the use of secretarial support, travel costs, or other benefits that may be appropriate.	The fee is set as a fixed annual fee. Overall fees paid to non-executive directors will remain within the limit set out in the Company's Articles of Association of £300,000, taking into account the percentage increase in the General Index of Retail Prices for the 12 preceding months.

Legacy awards

The 2008 Discretionary Share Option Plan ("DSOP") lapsed on 31 January 2018 and the Committee does not intend to renew this plan.

Recovery provisions

The annual bonus (including any deferred awards delivered under the annual bonus and LTIP awards (including shadow share options) are subject to "malus" and "clawback" provisions as follows.

For up to two years following the payment of the annual bonus award, the Committee may require repayment of all or part of the bonus in the event of a material misstatement or error in assessing performance measures which has led to an overpayment of the bonus or in the event of dismissal due to gross misconduct in the bonus year or in the event of criminal behaviour. Some or all of any deferred award under the annual bonus may be clawed back (via a cancellation of the award) prior to vesting in equivalent circumstances.

During the vesting period of an LTIP award (including shadow share options awards) the Committee may clawback all or part of the award (via the cancellation of unvested awards) in the event of a material misstatement or error in assessing performance measures which has led to the award vesting to a greater degree than would otherwise have been the case or in the event of dismissal due to gross misconduct.

Remuneration Committee approach to setting performance measures and targets

Performance measures are selected that are aligned to the Company's strategy. Stretching performance targets are set each year for the annual bonus and long term incentive awards. When setting these performance targets, the Remuneration Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the market environment. Full vesting will only occur for what the Remuneration Committee considers to be stretching performance.

In setting appropriate annual bonus and long term incentive parameters the Remuneration Committee considers the Group's and each division's financial performance, typically pre-tax profit performance for the year, and the appropriate percentage of basic salary to be awarded for each executive director.

Remuneration Committee Flexibility

The Remuneration Committee retains the ability to adjust or set different performance measures where it considers it appropriate to do so (for example, to reflect changes in the structure of the business and to assess performance on a fair and consistent basis from year to year).

The Remuneration Committee administers the bonus scheme and the variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. They have flexibility within the limits in the table above to determine the timing and quantum of awards to individual participants, and to determine good or bad leaver status for determining a leaver's entitlement to share options under the rules of the LTIP scheme.

Options under the LTIP may be adjusted in the event of a variation of capital in accordance with the scheme rules.

Remuneration Policy for other employees

Remuneration arrangements are determined throughout the Group based on the principle that reward should be sufficient to attract and retain high calibre talent, without paying more than is necessary, and should be aligned to the delivery of our business strategy.

All members of staff receive an annual pay review and all members of staff whose performance has been exceptional are entitled to a discretionary bonus.

Senior employees are eligible to participate in the LTIP 2010, at the Remuneration Committee's discretion, thereby encouraging wider workforce share ownership.

In determining pay levels for employees, management consider individual and Company performance and market rates for similar positions. Senior management whose performance has been exceptional may also be eligible for share options with similar performance conditions to the options awarded to executive directors.

Remuneration Policy for newly appointed directors

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of Shareholders. When appointing a new director, the Remuneration Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

The Remuneration Committee will seek to offer a remuneration package in line with the Remuneration Policy and commensurate with other directors having regard to their responsibilities and experience. The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 200% of salary (i.e. the maximum annual bonus and LTIP opportunity). The Remuneration Committee retains the discretion to make remuneration decisions which are outside the policy set out in the table above to facilitate the recruitment of candidates of the appropriate calibre required to optimise Company performance

(but subject to the limit on variable remuneration). The Remuneration Committee ensure that awards within the 200% of salary variable remuneration limit are linked to the achievement of appropriate and challenging performance measures. It is not the Company's intention to make non-performance related incentive payments (for example, "golden hellos").

The Remuneration Committee may make payments or awards to recognise or 'buy-out' remuneration arrangements forfeited on leaving a previous employer. The Remuneration Committee will normally aim to do so broadly on a like-for-like basis taking into account a number of relevant factors regarding the forfeited arrangements which may include the form of award, any performance conditions attached to the awards and the time at which they would have vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above, however the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements.

Any share awards referred to in this section will be granted, as far as possible, under the Company's existing share plans. If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Remuneration Committee may rely on exemption 9.4.2 of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chairman or non-executive director will be in line with the fee policy in place at the time of appointment.

Director Service contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Non-executive directors are not employed under contracts of service, but are generally appointed for fixed terms of three years renewable for further terms of one to three years, if both parties agree.

All directors offer themselves for re-election at each AGM in accordance with the UK Corporate Governance Code.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

Payments for loss of office

The policy set out below provides the framework for contracts for directors:

	Policy
Termination payment	Severance payments in relation to the service contracts are limited to basic salary for the notice period plus benefits in kind (including company car and private health insurance) and pension contributions (which may include salary supplements). Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.
Vesting of incentives for leavers	Annual bonus The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an executive director leaves. Typically for 'good leavers', bonus amounts (as determined by the Remuneration Committee) will be pro-rated for time in service to termination and will be, subject to performance, paid at the usual time. Deferred annual bonus Typically for 'good leavers', unless the Committee determines otherwise, unvested deferred bonus awards shall continue and vest on the normal vesting date subject to meeting any minimum performance target set during the deferral period. If a participant dies, unvested deferred bonus awards will vest at that time. Unvested deferred bonus awards will usually, lapse on termination for any other reason. Share-based awards / Shadow share option awards The vesting of share-based awards is governed by the rules of the relevant incentive plans, as approved by Shareholders. Under the LTIP if a participant leaves employment of the Group, options will normally lapse if the participant leaves employment before vesting unless and to the extent the Remuneration Committee decides otherwise. Options may vest and become exercisable in "good leaver" circumstances, including death, disability, ill-health, injury, redundancy, retirement, sale of the participant's employer or any other reason determined by the Remuneration Committee. In the case of a shadow share option, retirement before August 2020 would not be considered a "good leaver" scenario. Under the LTIP any "good leaver" options will vest at the date of cessation of employment unless the Remuneration Committee decides they should vest at the normal vesting date. In either case, unless the Remuneration Committee determines otherwise, the extent to which an option vests will be determined by the Remuneration Committee taking into account the time which has elapsed between the grant of that option and the date of leaving and the extent to which any performance conditions have been satisfied. In determining the proportion of an option which vests, the Remuneration Committee may take into account such other factors, including the performance of the Company and the conduct of the participant as it deems relevant. An option may then be exercised, to the extent vested, during the period of six months, or twelve months in the case of death, (or such other period as the Remuneration Committee may determine) commencing on the date of such cessation or from the normal vesting date as appropriate. Where a buy-out award is made under the listing rules then the leaver provisions would be determined at the time of the award.
Mitigation	The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment.

The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a settlement or compromise of any claim arising in connection with the termination of a director's office or employment. In doing so, the Remuneration Committee will recognise and balance the interests of Shareholders and the departing executive director, as well as the interests of the remaining directors.

Where the Remuneration Committee retains discretion, it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the director's departure and performance, with the objective of ensuring that the director is not paid for poor performance.

The notice period to be given by the non-executive directors or the Company is up to six months and discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances.

Statement of consideration of employment conditions elsewhere in the Company

When determining the remuneration arrangements for executive directors, the Remuneration Committee takes into consideration, as a matter of course, the pay and conditions of employees throughout the Group. The Remuneration Committee does not formally consult employees on executive remuneration.

Statement of consideration of Shareholder views

From time to time the Remuneration Committee also consults with major Shareholders (other than on their own pay for those on the Board) in addition to proposing the remuneration report and resolutions annually to all Shareholders.

Illustration of application of Remuneration Policy

The charts below set out an illustration of the Remuneration Policy with effect from 1 February 2018.

For these purposes base salary is the latest known salary as at 1 February 2018 and benefits is as disclosed in the single figure table on page 30 for the year ending 31 January 2018. Pension is based on the policy set out in the future policy table (i.e. a maximum contribution of 20% of base salary) and base salary effective at 1 February 2018.

Three scenarios have been illustrated for each executive director:

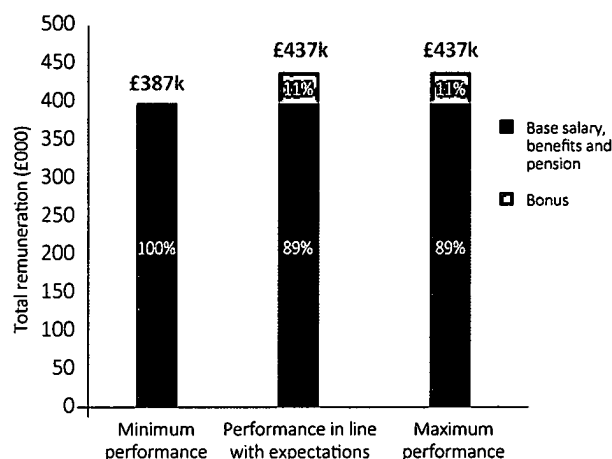
Minimum performance	- No bonus pay-out - No LTIP
Performance in line with expectations	- Bonus: £50,000 for Anthony Coombs and Graham Coombs, £60,000 for Chris Redford and £300,000 for Guy Thompson. - LTIP award over 5,000 shares for Chris Redford (based on a shares price of £22.60 as at 31 January 2018). 12,000 shadow share options for Guy Thompson (based on a share price of £22.60 as at 31 January 2018).
Maximum performance	- Bonus: £50,000 for Anthony Coombs and Graham Coombs, £60,000 for Chris Redford and £300,000 for Guy Thompson. - LTIP award over 5,000 shares for Chris Redford (based on a share price of £22.60 as at 31 January 2018). 12,000 shadow share options for Guy Thompson (based on a share price of £22.60 as at 31 January 2018).

As required by the regulations, the scenarios are based on the proposed operation of the policy for the year ended 31 January 2019.

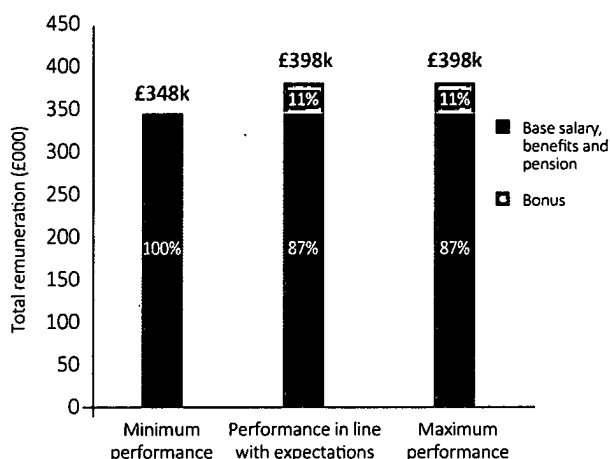
B2 Directors' Remuneration Report

Scenario Charts

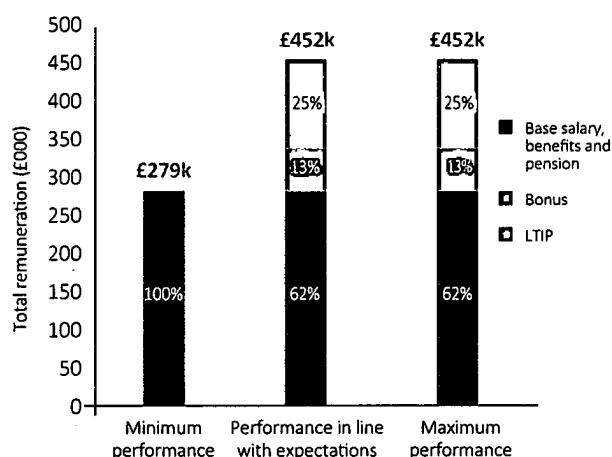
Anthony Coombs



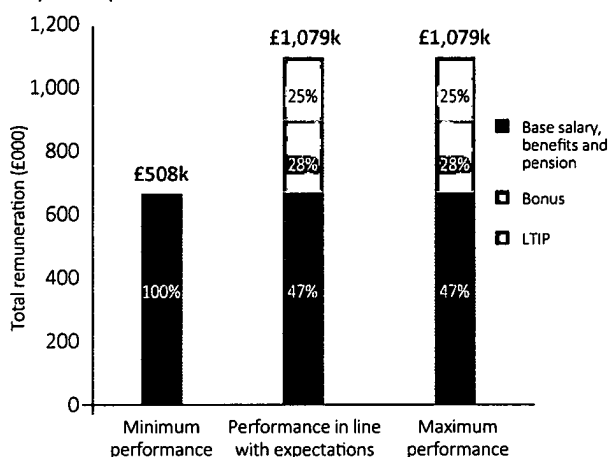
Graham Coombs



Chris Redford



Guy Thompson



Existing contractual arrangements

The Remuneration Committee retains discretion to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

- before the AGM held on 20th May 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect);
- after the AGM held on 20th May 2014 and before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or

- at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than at the time the award is granted.

The Remuneration Committee may make minor changes to this Remuneration Policy which do not have a material advantage to directors, to aid in its operation or implementation, taking into account the interests of Shareholders but without the need to seek Shareholder approval.

B2.3 ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2018. 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 G Pedersen, Mr D Markou and Mr T Khlát, who are all independent non-executive directors. Biographical details of these directors are set out on pages 16 and 17. The Remuneration Committee is chaired by Mr T Khlát.

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 the Remuneration Policy and for determining the specific remuneration packages for each of the executive directors. In setting the Remuneration Policy for executive directors the Remuneration Committee considers;

- the need to attract, retain and motivate high quality executive directors to optimise Group performance;
- the need for an uncomplicated link between executive director 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 executive director contracts; and
- previous shareholder feedback.

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 Deloitte LLP. Deloitte LLP was appointed by the Board and the advice provided to the Remuneration Committee was limited to technical advice on the reporting regulations in connection with the disclosure of directors' remuneration. The Board took into account the Remuneration Consultants Group's Code of Conduct when reviewing the appointment of Deloitte LLP and also took into account Deloitte LLP's role as external auditor. Following consultation with the Board, and consideration of the self review, self-interest and management threats to independence, the Remuneration Committee concluded that Deloitte should be retained as to advise on the technical aspects of the disclosure of directors' remuneration. As Deloitte are external auditor to the Company, Deloitte's advice to the Remuneration Committee is governed by certain guidelines and safeguards. The Remuneration Committee will continue to review the objectivity and independence of this engagement, having regard to the non-audit services policy of the Company.

Deloitte LLP's fees for providing advice to the Company during the year were charged on a time and materials basis and were £7,500 (+ VAT). The Remuneration Committee is satisfied that all advice received was objective and independent.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B2 Directors' Remuneration Report

Single Figure Tables (this section is subject to audit)

The table below sets out in a single figure the total amount of remuneration including each component received by each of the directors for the year ended 31 January 2018:

	Age	Salaries and fees	Allowances and benefits	Pension Contribution / Salary Supplement in Lieu of Pension	Bonus	Share incentive plans (DSOP / LTIP)	Total
Executive directors							
AMV Coombs	65	340	47	—	—	—	387
GDC Coombs	65	320	23	—	—	—	343
CH Redford	53	210	21	30	45	—	306
JG Thompson	62	380	40	60	175	413	1,068
Non-executive directors							
KR Smith ¹	79	11	—	—	—	—	11
D Markou	74	31	—	—	—	—	31
F Coombs	49	31	—	—	—	—	31
G Pedersen	63	31	—	—	—	—	31
T Khlal	51	31	—	—	—	—	31
Total		1,385	131	90	220	413	2,239

¹ Keith Smith retired at the AGM on 18 May 2017. In addition to his directors' fees Keith Smith also received consultancy fees of £45,000 after his retirement (his consultancy ended 31 January 2018).

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 2017:

	Salaries and fees	Allowances and benefits	Pension Contributions / Salary Supplement in Lieu of Pension	Bonus	Share incentive plans (DSOP / LTIP)	Total
Executive directors						
AMV Coombs	333	44	—	25	—	402
GDC Coombs	307	25	—	25	—	357
CH Redford	200	20	39	50	—	309
JG Thompson	343	30	60	125	391	949
Non-executive directors						
KR Smith	33	—	—	—	—	33
D Markou	30	—	—	—	—	30
F Coombs	30	—	—	—	—	30
G Pedersen	30	—	—	—	—	30
T Khlal (joined on 21 March 2016)	26	—	—	—	—	26
Total	1,332	119	99	225	391	2,166

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 bonus earned in respect of the year. A description of the performance targets against which the bonus pay-out was determined is provided on page 32.
Share incentive plans (DSOP / LTIP)	For the year ending 31 January 2018: 20% of the 65,000 LTIP options granted to J G Thompson on 24 May 2013 (i.e. 13,000 shares) and 20% of the 25,000 LTIP options granted on 3 October 2012 (i.e. 5,000 shares) vested in respect of performance to 31 January 2018 as the divisional PBT and new motor finance contract targets for Advantage Finance were achieved. Although both these LTIP options are also subject to continued employment until 29 August 2018, the value of the shares vesting by reference to performance to 31 January 2018 is shown above based on the three month average share price to 31 January 2018. For the year ended 31 January 2017 comparative figures for the value of options vesting under the share incentive plans have been calculated as follows: 20% of the 65,000 LTIP options granted to J G Thompson on 24 May 2013 (i.e. 13,000 shares) and 20% of the 25,000 LTIP options granted on 3 October 2012 (i.e. 5,000 shares) vested in respect of performance to 31 January 2017 as the divisional PBT and new motor finance contract targets for Advantage Finance were achieved. Although both these LTIP options are also subject to continued employment until 29 August 2018, the value of the shares vesting by reference to performance to 31 January 2017 is shown above based on the three month average share price to 31 January 2017.

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 2018).

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. As disclosed in the Annual Report on Remuneration last year, for the year ending 31 January 2018, Anthony Coombs, Graham Coombs, Chris Redford and Guy Thompson all received a salary increase of between 2% and 5.5%.

For the year ending 31 January 2019, Anthony Coombs did not receive any increase in salary. Graham Coombs, Chris Redford and Guy Thompson all received a salary increase of between 1.6% and 2.6%. This is broadly in line with the range of increases awarded to the wider force. The average base salary increase for the wider workforce was 4%.

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

Executive director	Base salary as at 31 January 2018 £000	Base salary for year to 31 January 2019 £000	Increase %
AMV Coombs	340	340	0%
GDC Coombs	320	325	1.6%
CH Redford	210	215	2.4%
JG Thompson	380	390	2.6%

B2 Directors' Remuneration Report

The remuneration policy for non-executive directors is determined by the Board. Fees reflect the responsibilities and duties placed upon non-executive directors whilst also having regard to market practice. The basic non-executive director fee was increased from £31,000 to £33,000 with effect from 1 February 2018. The non-executive directors do not participate in any of the Company's share incentive plans nor do they receive any benefits or pension contributions.

Non-executive director fees	2016/17	2017/18	2018/19
Basic fee	£30,000	£31,000	£33,000
Additional fee for – Senior Independent Non-executive director	£3,000	£3,000	£2,000

Annual bonus

For the year ending 31 January 2018, 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 2018 together with the Group PBT targets and details of the actual bonus earned.

	Performance targets*	Maximum bonus opportunity year ending 31 January 2018	Bonus pay-out % of maximum	Actual bonus earned for the year ending 31 January 2018
AMV Coombs	Group PBT target (£30.5m)	£50,000	0%	£Nil
GDC Coombs		£50,000	0%	£Nil
CH Redford		£60,000	75%	£45,000
JG Thompson	Advantage Finance PBT target	£325,000**	54%	£175,000

* 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 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 targets. However, we are committed to providing as much information as we are able to, in order assist our investors in understanding how our incentive pay-outs relate to performance delivered. Details of the Group PBT targets are disclosed above.

** This includes £25,000 deferred from last year and dependent on performance in the year ending 31 January 2018.

Based on performance in the year ended 31 January 2018 a bonus of £45,000 was deemed payable to Chris Redford and in respect of the year ended 31 January 2019 a further deferred cash bonus of up to £15,000 will be paid to Chris (subject to meeting a further profit target in this year). Although actual Group PBT was £30.2m, slightly below the £30.5m target, given the exceptional personal performance of Chris and the Group's continued strong performance in challenging economic circumstances, the Remuneration Committee exercised its discretion to vest the full bonus.

As disclosed in the Annual Report on Remuneration last year, for the year ending 31 January 2018, the maximum annual bonus opportunity for Guy Thompson was set at £300,000. Based on performance in the year ended 31 January 2018 a bonus of £150,000 was deemed payable to Guy and in respect of the year ended 31 January 2019 a further deferred cash bonus of up to £150,000 will be paid to Guy Thompson at the end of March 2019 (subject to meeting a further profit target in this year). This equates to a total bonus payable in respect of the year ended 31 January 2018 of 39.5% of the salary he earned in the year (excluding the deferred cash bonus) and 78.9% of the salary he earned in the year (including the deferred cash bonus).

In addition, as disclosed in last year's DRR, based on performance in the year ended 31 January 2017 and the year ended 31 January 2018 a further deferred cash bonus of £25,000 will be paid to Guy Thompson at the end of March 2018.

Annual bonus in 2018/19

For the year ending 31 January 2019, the maximum annual bonus opportunity is £50,000 for Anthony Coombs and Graham Coombs; £60,000 for Chris Redford and £300,000 for Guy Thompson.

For Guy Thompson, up to 50% of the bonus earned (i.e. up to £150,000) will be deferred (in cash) for 12 months and will be paid at the end of March 2020 subject to the bonus target being met in respect of the year ended 31 January 2020.

The annual bonus will continue to be assessed against stretching Group and divisional PBT targets.

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

Long Term Incentives – Long Term Incentive Plan (LTIP) 2010 and Deferred Share Option Plan (DSOP)

Awards granted during the period

No options were granted under the LTIP or DSOP to the executive directors during the year ending 31 January 2018.

Awards vesting based on performance in respect of the year ended 31 January 2018

Details of awards vesting based on performance in respect of the year ended 31 January 2018 have been included in the notes to the single figure tables on page 31.

Awards for 2018/19

The Committee intends to grant 5,000 share options under the LTIP 2010 to Chris Redford, subject to achieving certain PBT and ROCE targets for the year ending 31 January 2019. 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 and ROCE targets on a retrospective basis.

As set out in the Chairman's letter, to support the retention of Guy Thompson and ensure his continued alignment to shareholders, subject to the approval of the minor amendments to the Remuneration Policy and LTIP rules at the 2018 AGM, he will be awarded 12,000 shadow share options in August 2018 and a further 12,000 shadow share options in August 2019. These shadow share options will be subject to achieving specified PBT targets for the years ending 31 January 2019 and 2020 respectively and Guy Thompson's continued employment to August 2020. In addition to the above, the two awards will not be exercisable until August 2021 and 2022 respectively. The shadow share options will give Guy the opportunity to receive a cash payment equal to the value of 12,000 shares for each award when the awards are exercised. It is proposed that these awards are satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company's share price in order to retain long term alignment.

For the year ending 31 January 2019, the Remuneration Committee considers that the significant shareholding held by Graham Coombs and Anthony Coombs provides adequate alignment to shareholders.

Total pension entitlements in 2017/18 (this section is subject to audit)

The Group makes contributions into a defined contribution scheme on behalf of JG Thompson and CH Redford or pays a salary supplement in lieu. None of the directors have accrued benefits under the defined benefit scheme.

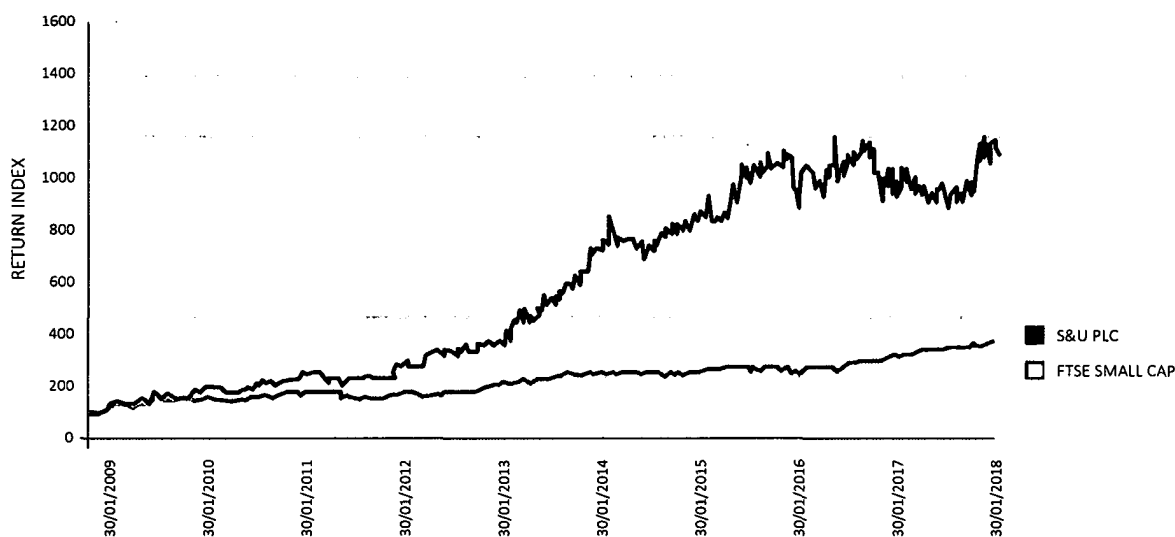
Director	Defined contribution or salary supplement in lieu £000	Percentage of Salary %
CH Redford	30	14.5
JG Thompson	60	15.8

B2 Directors' Remuneration Report

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 nine years. This comparator has been selected since it illustrates S&U's relative performance within their sector.

9 YEAR TOTAL SHAREHOLDER RETURN INDEX AT 31 JANUARY 2018



Executive Chairman Remuneration for the previous nine 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)
2018	387	0%	n/a
2017	402	50%	n/a
2016	394	100%	n/a
2015	390	100%	n/a
2014	370	100%	n/a
2013	445	50%	71%
2012	436	100%	100%
2011	360	100%	n/a
2010	337	57%	n/a

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

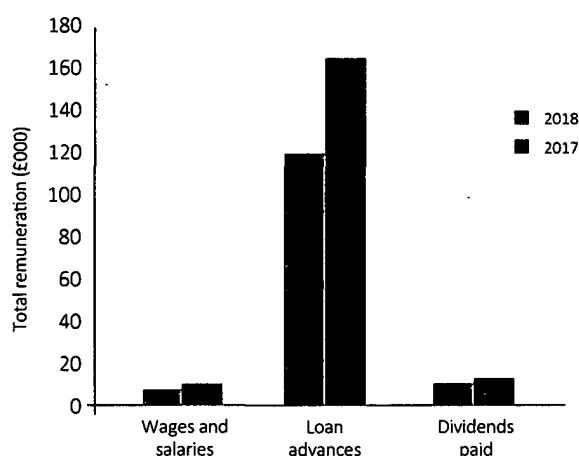
The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for Anthony Coombs compared to the wider workforce.

Element	Executive Chairman*	Wider Workforce
Base salary	0%	4%
Allowances and benefits	6.8%	n/a
Bonus	n/a	5%

*Anthony Coombs received benefits and allowances of £44,000 in the year ending 31 January 2017 and £47,000 in the year ending 31 January 2018. Anthony Coombs earned a bonus of £25,000 for the year ending 31 January 2017 and did not earn a bonus for the year ending 31 January 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 2018 and 31 January 2017. 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)**

There were no loss of office payments made during the year ended 31 January 2018.

B2 Directors' Remuneration Report

Statement of directors' shareholding and share interests (this section is not subject to audit)

The table below details the shareholdings and share interests of the directors as at 31 January 2018.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2018
AMV Coombs	Shares	1,342,527	–	–	–	1,342,527
	LTIP		–	–	5,000	5,000
	DSOP		–	–	–	–
GDC Coombs	Shares	1,581,457	–	–	–	1,581,457
	LTIP		–	–	–	–
	DSOP		–	–	–	–
CH Redford	Shares	11,000	–	–	–	11,000
	LTIP		–	12,000	–	12,000
	DSOP		–	–	600	600
JG Thompson	Shares	–	–	–	–	–
	LTIP		–	90,000	–	90,000
	DSOP		–	–	–	–
Non- executive directors						
D Markou	Shares	4,500	–	–	–	4,500
G Pedersen	Shares	–	–	–	–	–
F Coombs	Shares	283,550	–	–	–	283,550
T Khat	Shares	–	–	–	–	–

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

Shareholder vote on the 2017 Remuneration Report (this section is not subject to audit)

The table below shows the voting outcome at the 18 May 2017 AGM for the 2017 Directors Remuneration Report (advisory) and the 2017 Remuneration Policy for Executive Directors and Non-executive Directors (binding).

	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	5,950,154	91.28%	568,292	8.72%	6,518,446	0
Remuneration Policy	5,945,309	91.21%	573,037	8.79%	6,518,346	100

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

Approval

This report section B2 of the Annual Report and Accounts including both the Remuneration Policy Summary and The Annual Remuneration Report was approved by the Board of Directors on 26 March 2018 and signed on its behalf by:

Tarek Khat

Chairman of the Remuneration Committee

B3 Governance

B3.1 AUDIT COMMITTEE REPORT

Role and Responsibilities

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

Composition of the Committee and Meetings

The Company has established an Audit Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee are Mr G Pedersen, Mr D Markou and Mr T Khat, who are all independent non-executive directors. Biographical details of these directors are set out on pages 16 and 17. The Committee is chaired by Mr D Markou. Meetings are held not less than twice a year normally in conjunction with the interim and full year financial reports issued in September and March. The external auditors or individual members of the Audit Committee may request a meeting if they consider one is necessary and the Committee ensure that discussions are held with the external auditors without executive Board members present. During the year ending 31 January 2018 three meetings were held including Audit planning meetings.

Significant Issues related to the financial statements

The significant issues and areas of judgement considered by the Audit Committee in relation to the January 2018 Financial Statements were as follows:

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 58

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

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

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

In assessing the adequacy of the Motor Finance impairment provision the Audit Committee considers;

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

Revenue Recognition – Motor Finance - see also accounting policy 1.3 on page 58.

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts the expected future cash flows of the loan back to present value being the amount advanced to the customer. Under IAS39 credit charge income should be recognised on the shorter of the expected life or the contractual life of the loan. Under IAS39 management have judged that credit charges should be taken over the contractual life of the loan.

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

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

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

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

B3 Governance

External Audit

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

As a result the Committee concluded that the external audit process remained effective this year. Although Deloitte LLP have been Group Auditors since 1999, the lead Audit Partner was changed last year on the usual five-year rotational basis. Before recommending Deloitte's reappointment, the Audit Committee reviewed both the quality of service they provided and their continuing independence. They examined Deloitte's transparency report which demonstrates how audit quality is maintained in line with the "Audit Quality Framework" issued by the professional oversight board of the Financial Reporting Council. They also reviewed Deloitte's understanding of S&U plc's business, their access to appropriate specialists, and their understanding of the financial sector in which the Group operates. The Audit Committee then concluded that it was in the interests of the Group that Deloitte's continued as external auditors and have therefore recommended to the Board Deloitte's reappointment at the forthcoming Annual General Meeting.

S&U plc is not required to put its Audit arrangements out to tender until January 2024. Nevertheless both the Audit Committee and Deloitte have put in place safeguards to ensure that the independence and objectivity of the external auditor is maintained including governing the external auditors' engagement for non-audit services. In line with rules for public interest entities the provision of tax compliance services was placed with KPMG with effect from 1 February 2017. Fees paid to the external auditor are shown in note 6 to the accounts. Overall the fees paid to the external auditor for non-audit services were £42,000 (2017: £35,000).

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

Internal Audit

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

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

Demetrios Markou

Chairman of the Audit Committee
26 March 2018

B3.2 CORPORATE GOVERNANCE

The latest version of the UK Corporate Governance Code was issued by the Financial Reporting Council in April 2016. The Code sets out Provisions for Good Corporate Governance along with a series of supporting principles.

A narrative statement on how the Company has applied the provisions and a statement explaining the extent to which the provisions of the Code have been complied with, appear below.

Narrative Statement

The Code establishes Code Provisions, which are split into five areas, "Leadership", "Effectiveness", "Accountability", "Remuneration" and "Relations with Shareholders". The current position of the Company in each area is described below.

Leadership

During the year the Company was controlled through the Board of Directors which at 31 January 2018 comprised four executive and four non-executive directors. The Chairman is mainly 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.

The Board has a formal schedule of matters reserved to it and meets at least six 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 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 reviews the performance of the directors and Committees. The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each Committee operates within defined terms of reference. Advantage Finance is managed by 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.

Mr D Markou has served as a non-executive director on the Board for over 9 years. Notwithstanding this length of service the Board considers him to be independent due to his robust judgement and character and the invaluable balance and experience he has brought to the Board's deliberations. Apart from common shareholdings, Mr Markou does not have any other cross directorships or other significant commercial links with other directors. In addition, his financial and business training and experience is considered invaluable to the Board. 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 Khlata, a Banker, FCA Approved Person and Wealth Manager of great experience and expertise was appointed to the Board.

Mr Fiann Coombs is not considered to be independent by virtue of his close association with family shareholders, and therefore does not sit on Board Committees. The Nominations Committee, chaired by Mr. G Pedersen, comprises the independent non-executive directors and Mr. A.M.V. Coombs, Group Chairman. Audit and Remuneration Committees are made up of the three independent non-executive directors and chaired by Mr. D. Markou and Mr T. Khlata respectively.

Effectiveness

Our executive directors are appraised annually by the Chairman, the Deputy Chairman and the independent non-executives. The Chairman and the Deputy Chairman are appraised annually by the independent non-executives. The results of these appraisals are considered by the Remuneration Committee for the determination of their remuneration recommendations.

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.

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

B3 Governance

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

Accountability

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Chairman's Report. The Board uses this, together with the Strategic Report within pages 07 to 09, 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 43 and those of the auditor on page 51.

Internal Control

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

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

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place for the year under review and up to the date of approval of the report and financial statements. The process is regularly reviewed by the Board and accords with the revised 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 in order that the Committee can review the external audit process and results. The Committee oversees 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 38 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. The objectivity and independence of the auditor has been safeguarded by all work being completed by partners and staff who, whilst having specialist knowledge of the sector, have no involvement in the audit of the financial statements, other than for audit related assurance services.

Equality and Diversity

The Group is committed to ensuring that existing members of staff, job applicants, or workers are treated fairly in an environment which is free from any form of discrimination. The Group will always wish to ensure appointments reflect the best skills available for the role. Currently women hold 13% of senior management positions and 64% of other employee positions and during the year no female directors served on the Board.

Board and Committee attendance

The attendance of individual directors at the regular meetings of the Board and its Committees during the year ended 31 January 2018 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	5	1	2	3
AMV Coombs	5	1	n/a	n/a
GDC Coombs	5	n/a	n/a	n/a
KR Smith (retired 18.5.17)	3	1	2	1
D Markou	5	1	2	3
G Pedersen	5	1	2	3
F Coombs	5	n/a	n/a	n/a
JG Thompson	4	n/a	n/a	n/a
T Khat	5	n/a	2	3
CH Redford	4	n/a	n/a	n/a

Remuneration

The Remuneration Committee has specific terms of reference which deal with its authority and duties and these, together with details of how the Company has complied with the Remuneration provisions of the UK Corporate Governance Code, are detailed in the Directors Remuneration Report on page 39.

Relations with Shareholders

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: in addition members of the Board obtain regular feedback from major shareholders and discuss this at Board meetings.

B3.3 COMPLIANCE STATEMENT

Throughout the year ended 31 January 2018 the Company has been in compliance with the Code Provisions set out in the April 2016 UK Corporate Governance Code except for the following matters:

Section A.2 and A.3 of the Code requires that the roles of Chairman and Chief Executive should not be exercised by the same individual and that a Chief Executive should not go on to be Chairman of the same Company. As required by the Code, S&U has provided annual explanations to justify why the Board considered that the appointment of Mr AMV Coombs as Chairman in 2008 was the best option given the size, nature and structure of the company. Since that date, Mr Coombs has served as Executive Chairman and his responsibilities as Managing Director have been devolved to the Managing Directors of the relevant divisions including currently Motor Finance and Bridging Finance. The progress of the company has proved the success of these arrangements.

Graham Pedersen

Chairman of the Nominations Committee
26 March 2018

B4 Directors' Report

B4. DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2018.

Dividends

Dividends of £11,377,000 (2017: £9,548,000) were paid during the year.

After the year end a second interim dividend for the financial year of 32.0p per ordinary share (2017: 28.0p) was paid to shareholders on 16 March 2018.

The directors now recommend a final dividend, subject to shareholders approval of 45.0p per share (2017: 39.0p). This, together with the interim dividends of 60.0p per share (2017: 52.0p) already paid, makes a total dividend for the year of 105.0p per share (2017: 91.0p).

SUBSTANTIAL SHAREHOLDINGS

At 26 March 2018, the Company had been notified of the following interests of 3% or more in its issued ordinary share capital (excluding those of the directors disclosed above):-

Shareholder	No of shares	% of share capital
Jennifer Coombs	705,698	5.9%
Jack Coombs	1,433,334	12.0%
Wiseheights Limited	2,420,000	20.2%

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share 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.

Employees

The Group recognises the need to communicate with employees. Regular updates are sent out to each employee to keep employees informed of the progress of the business as well as regular memos to the branches in respect of new initiatives.

Auditor

Each of the persons who is a director at the date of approval of the annual report confirms that; so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware;

each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

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

Post Balance Sheet Events

As reported in the Chairman's Funding Review, the company has recently concluded extended funding facilities. These comprise a £10m facility until 2021 and a £10m facility until 2022 and bring total Group committed facilities to £135m.

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 which remain in force at the date of this report.

Information Presented in Other Sections

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

- The Group's principal risks and uncertainties are set out in section A2.4 in the Strategic Report.
- Information concerning director's contractual arrangements and entitlements under share based remuneration arrangements is given in section B2 in the Directors' remuneration report.
- Information surrounding future developments is given in the Strategic Report
- Disclosures concerning greenhouse gas emissions are given in Section A4.4 in the Strategic Report.

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
26 March 2018

B5 Directors' Responsibilities Statement

B5. DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

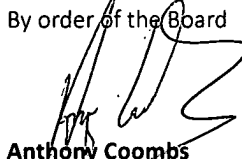
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board


Anthony Coombs
 Chairman
 26 March 2018



Chris Redford
 Group Finance Director
 26 March 2018

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

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

Report on the audit of the financial statements

Opinion

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of S&U PLC (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the Group Income Statement;
- the Group Statement of Comprehensive Income;
- the Group and Parent Company Balance Sheets;
- the Group and Parent Company Statements of Changes in Equity;
- the Group and Parent Company Cash Flow Statements; and
- the related notes 1 to 26

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Loan loss provisioning • Revenue recognition The key audit matters we identified are consistent with the prior year.
Materiality	The materiality that we used for the Group financial statements in the current year was £1.8m which was determined on the basis of 6% of pre-tax profit. This equates to 1% of net assets and 2% of revenue.
Scoping	The Group is made up of the Parent Company of S&U Plc ('S&U'), the main trading entity Advantage Finance Limited ('Advantage') and Aspen Bridging Limited ('Aspen') which is a new trading entity in the current year. We focused our Group audit scope on the audit work at two locations; Solihull and Grimsby, both of which were subject to a full audit. These locations account for 100% of the Group's net assets, 100% of the Group's revenue and 100% of the Group's pre-tax profit.
Significant changes in our approach	No significant changes have been made to our audit approach.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

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

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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

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

Principal risks and viability statement

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

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

- the disclosures on page 09 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 10 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 10 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Key audit matters

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

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

Loan loss provisioning

Key audit matter description	The assessment of the Group's £44.6m (2017: £30.8m) provision for impairment losses against loans and receivables is complex and requires Management to make significant judgements being the identification of loss events (the "Impairment Trigger"); the estimation of future cash flows used to determine the provision required; and the level of Incurred But Not Reported ("IBNR") risk in the element of the book that has not reached the Impairment Trigger. We have identified Management bias in these judgements as a potential area of fraud risk. We have determined our key audit matter to be the completeness of the IBNR provision as it is the most judgemental area of these key assumptions, given the growing loan book and the low interest rate environment which could potentially mask the level of customers who have suffered financial distress. Management's associated accounting policies are detailed on page 57 to 59 with detail about judgements in applying accounting policies and critical accounting estimates on page 59 and within the Audit Committee report on pages 37 to 38. The quantum of the provision is set out in note 14 to the financial statements.
How the scope of our audit responded to the key audit matter	We first understood Management's process and key controls around impairment provisioning by undertaking a walk-through. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Group has in place to manage the risk of inappropriate assumptions being used within impairment provisioning. In conjunction with our internal IT specialists we tested the general IT controls over the loan administration systems and evaluated the design and implementation of controls over the manner in which data is extracted from these systems to determine impairment. We challenged the appropriateness of the emergence provision recorded against assets where impairment triggers have not yet been observed. As part of this, we challenged the appropriateness of the key Management assumptions used in the impairment calculations for loans and receivables, including specifically, the number of bad debt and voluntary termination cases expected within the emergence period and the average loss per case. This involved analysis of the Group's historical default and cash collection experience and benchmarking the key assumptions to external economic and industry data. We also tested the mechanical accuracy of the model which is used to determine the provision by agreeing a sample of model inputs back to underlying source data.
Key observations	Based on the evidence obtained, we found that the impairment model assumptions were appropriately applied, and the recognised provision was within a reasonable range.

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

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

Revenue recognition

Key audit matter description Revenue recognition and specifically the application of the requirements in IAS 39 "Financial Instruments" ("IAS 39") to recognise income on loans using an effective interest rate method is a complex area. It requires Management to make significant judgements relating to the behavioural life of each loan, the inclusion of directly attributable costs/fees and the cash flows related thereto, with accounting entries generated using complex spreadsheet models. Revenue recognition is therefore considered a potential fraud risk area.

We have determined our key audit matter to be the behavioural life of each loan given recent regulatory focus surrounding the motor finance industry and customer indebtedness could increase the level of voluntary terminations and in-turn reduce the period over which revenue should be spread; with Management currently adopting the contractual life basis as a proxy for behavioural life.

Management's associated accounting policies are detailed on pages 57 to 59 with detail about judgements in applying accounting policies and critical accounting estimates on page 59 and within the Audit Committee report on pages 37 to 38.

How the scope of our audit responded to the key audit matter We first understood Management's process and key controls around revenue recognition by undertaking a walk-through. Following identification of the key controls we evaluated the associated design and implementation of such controls. Specifically, we assessed the implementation of controls that the Group has in place to manage the risk of inappropriate assumptions being used within the effective interest rate models.

In conjunction with our internal IT specialists we tested the general IT controls over the loan administration systems and evaluated the design and implementation of controls over the manner in which data is extracted from these systems to determine the effective interest rate.

We recalculated the term of a sample of completed agreements during the year and compared it to their original contractual term in order to arrive at an independent behavioural life assumption. We also challenged the number of voluntary terminations which occurred during the year in comparison to historical experience, and re-performed Management's effective interest modelling calculations to take into account any variances between the behavioural and contractual life approaches.

We challenged the level of directly attributable costs being deferred through Management's model by reviewing policy documentation between the entity and the broker network to independently determine the level of commission expected to be deferred.

We also tested the mechanical accuracy of the model which is used to determine revenue by agreeing a sample of model inputs back to underlying source data. The effective interest rate was recalculated for a sample of loans.

Key observations We determined the accounting for revenue to be acceptable and in line with the requirements of IAS 39.

Our application of materiality

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

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

	Group financial statements	Parent Company financial statements
Materiality	£1.8m (2017: £1.9m)	£724,000
Basis for determining materiality	6% (2017: 7.5%) of pre-tax profit. This equates to 1% of net assets and 2% of revenue.	Parent Company materiality equates to 1% of equity which is capped at 40% of Group materiality.
Rationale for the benchmark applied	Pre-tax profit is used as the basis for materiality because we consider it to be the most appropriate benchmark to assess the performance of the Group. The decrease in basis of pre-tax profit from 7.5% to 6% is consistent with the approach being taken by peers.	Equity is used as the basis for materiality because the Parent Company is a non-trading entity, as such we consider equity to reflect its holding activities.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £89,500 (2017: £95,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

The Group is made up of the Parent Company of S&U, the main trading entity Advantage and Aspen which is a new trading entity in the current year.

We focused our Group audit scope on the audit work at two locations; Solihull and Grimsby, both of which were subject to a full audit. These locations account for 100% of the Group's net assets (2017: 100%), 100% of the Group's revenue (2017: 100%) and 100% of the Group's pre-tax profit (2017: 100%).

We have performed testing over the consolidation of Group entities. These audits were performed directly by the Group audit team and executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.2m to £1.8m (2017: £1.2m to £1.8m).

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

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

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.

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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



C Independent Auditor's Report

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 16 June 1998 to audit the financial statements for the year ending 31 January 1999 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 20 years, covering the years ending 31 January 1999 to 31 January 2018.

Consistency of the audit report with the additional report to the audit committee

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

Kieren Cooper (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

26 March 2018

D1 The Accounts

D1.1 Group Income Statement

Year ended 31 January 2018

	Notes	2018 £000	2017 £000
Continuing Operations			
Revenue	3	79,781	60,521
Cost of sales	4	(36,880)	(25,065)
Gross profit		42,901	35,456
Administrative expenses		(9,923)	(8,585)
Operating profit	6	32,978	26,871
Finance costs (net)	7	(2,818)	(1,668)
Profit before taxation	2	30,160	25,203
Taxation	9	(5,746)	(4,861)
Profit for the year attributable to equity holders		24,414	20,342
Earnings per share			
From continuing operations			
Basic	11	203.8p	170.7p
Diluted	11	202.4p	169.1p

Statement of Comprehensive Income

	Notes	Group		Company	
		2018 £000	2017 £000	2018 £000	2017 £000
Profit for the year attributable to equity holders		24,414	20,342	8,419	6,267
Actuarial loss on defined benefit pension scheme	26	(14)	(18)	(14)	(18)
Total Comprehensive Income for the year		24,400	20,324	8,405	6,249

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

D1.2 Balance Sheet

As at 31 January 2018

Company Registration No: 0342025

		Group		Company	
	Notes	2018 £000	2017 £000	2018 £000	2017 £000
ASSETS					
Non current assets					
Property, plant and equipment	12	1,931	1,190	137	146
Investments	13	–	–	533	1,951
Amounts receivable from customers	14	178,597	136,373	–	–
Trade and other receivables	15	–	–	115,000	70,000
Deferred tax assets	18	487	441	63	61
		181,015	138,004	115,733	72,158
Current assets					
Amounts receivable from customers	14	83,459	57,156	–	–
Trade and other receivables	15	718	603	65,909	56,869
Cash and cash equivalents		1	4	408	1
		84,178	57,763	66,317	56,870
Total assets		265,193	195,767	182,050	129,028
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	16	(991)	(11,171)	–	(10,172)
Trade and other payables	17	(2,549)	(2,009)	(94)	(175)
Current tax liabilities		(3,600)	(3,104)	(269)	(149)
Accruals and deferred income		(787)	(1,566)	(131)	(90)
		(7,927)	(17,850)	(494)	(10,586)
Non current liabilities					
Borrowings	16	(104,000)	(38,000)	(104,000)	(38,000)
Financial liabilities	20	(450)	(450)	(450)	(450)
		(104,450)	(38,450)	(104,450)	(38,450)
Total liabilities		(112,377)	(56,300)	(104,944)	(49,036)
NET ASSETS					
		152,816	139,467	77,106	79,992
Equity					
Called up share capital	19	1,699	1,695	1,699	1,695
Share premium account		2,289	2,281	2,289	2,281
Profit and loss account		148,828	135,491	73,118	76,016
Total equity		152,816	139,467	77,106	79,992

These financial statements were approved by the Board of Directors on 26 March 2018.

Signed on behalf of the Board of Directors



Anthony Coombs **Chris Redford**
 Chairman Group Finance Director

D1.3 Statement of Changes in Equity

Year ended 31 January 2018

Group	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2016	1,691	2,264	124,301	128,256
Profit for year	–	–	20,342	20,342
Other comprehensive income for year	–	–	(18)	(18)
Total comprehensive income for year	–	–	20,324	20,324
Issue of new shares in year	4	17	–	21
Cost of future share based payments	–	–	409	409
Tax credit on equity items	–	–	5	5
Dividends	–	–	(9,548)	(9,548)
At 31 January 2017	1,695	2,281	135,491	139,467
Profit for year	–	–	24,414	24,414
Other comprehensive income for year	–	–	(14)	(14)
Total comprehensive income for year	–	–	24,400	24,400
Issue of new shares in year	4	8	–	12
Cost of future share based payments	–	–	317	317
Tax charge on equity items	–	–	(3)	(3)
Dividends	–	–	(11,377)	(11,377)
At 31 January 2018	1,699	2,289	148,828	152,816

Company	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2016	1,691	2,264	79,221	83,176
Profit for year	–	–	6,267	6,267
Other comprehensive income for year	–	–	(18)	(18)
Total comprehensive income for year	–	–	6,249	6,249
Issue of new shares in year	4	17	–	21
Cost of future share based payments	–	–	144	144
Tax charge on equity items	–	–	(50)	(50)
Dividends	–	–	(9,548)	(9,548)
At 31 January 2017	1,695	2,281	76,016	79,992
Profit for year	–	–	8,419	8,419
Other comprehensive income for year	–	–	(14)	(14)
Total comprehensive income for year	–	–	8,405	8,405
Issue of new shares in year	4	8	–	12
Cost of future share based payments	–	–	98	98
Tax charge on equity items	–	–	(24)	(24)
Dividends	–	–	(11,377)	(11,377)
At 31 January 2018	1,699	2,289	73,118	77,106

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

D1.4 Cash Flow Statement

Year ended 31 January 2018

		Group		Company	
	Note	2018 £000	2017 £000	2018 £000	2017 £000
Net cash used in operating activities	22	(43,418)	(27,431)	(44,032)	(29,485)
Cash flows used in investing activities					
Proceeds on disposal of property, plant and equipment		37	53	10	10
Purchases of property, plant and equipment		(1,077)	(361)	(34)	(75)
Net cash used in investing activities		(1,040)	(308)	(24)	(65)
Cash flows from financing activities					
Dividends paid		(11,377)	(9,548)	(11,377)	(9,548)
Issue of new shares		12	21	12	21
Receipt of new borrowings		56,000	18,000	56,000	18,000
Repayment of borrowings		–	–	–	–
Net (decrease)/increase in overdraft		(180)	1,019	(172)	172
Net cash from financing activities		44,455	9,492	44,463	8,645
Net (decrease)/increase in cash and cash equivalents		(3)	(18,247)	407	(20,905)
Cash and cash equivalents at the beginning of year		4	18,251	1	20,906
Cash and cash equivalents at the end of year		1	4	408	1
Cash and cash equivalents comprise					
Cash and cash in bank		1	4	408	1

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2017: £nil).

D2 Notes to the Accounts

Year ended 31 January 2018

1. Accounting Policies

1.1 General Information

S&U plc is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 82 which is also the Group's principal business address. All operations are situated in the United Kingdom.

1.2 Basis of preparation

As a listed Company we are required to prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. We have also prepared our S&U plc Company financial statements in accordance with IFRS endorsed by the European Union. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the year ended 31 January 2018. As discussed in the strategic report, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

In the current year and in accordance with IFRS requirements, certain new and revised Standards and Interpretations have been adopted but these have had no significant effect on the amounts reported in these financial statements.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2	Share-based Payment
IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS16	Leases

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company other than the adoption of IFRS 9 as follows:

IFRS9 new accounting standard

From 1 February 2018 and for our accounts for the forthcoming year ending 31 January 2019, IFRS9 "Financial Instruments" replaces IAS 39 for the way we value and measure our financial assets. In particular, IFRS9 requires the impairment of our customer receivables to be recognised through an expected loss model rather than IAS 39's emphasis on historical impairment triggers. As S&U plc customer receivables have been growing, the earlier expected loss provisioning under IFRS9 increases overall provisions at 1 February 2018. Therefore the overall impact of the new standard will be a small reduction in the carrying value of receivables on the balance sheet and our preliminary assessment is that it will have an impact of between 1% and 2% of net receivables. This day one impact will be charged to equity after adjusting related deferred tax balances. As this is an accounting adjustment, there is no impact on either the Group's cash flows or on the underlying profitability of its loans.

IFRS16 Leases

From 1 February 2018 and for our accounts for the forthcoming year ending 31 January 2019, the Group will be early adopting IFRS16 for revenue recognition purposes as part of the Group's required transition to IFRS9. This early adoption of IFRS16 is not expected to make any significant difference to the Group or subsidiary accounts.

D2 Notes to the Accounts

Year ended 31 January 2018

1. Accounting Policies continued

1.3 Revenue recognition

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the 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. Acceptance fees charged to customers and any direct transaction cost are included in the calculation of the EIR. Under IAS 39 credit charges on loan products continue to accrue at the EIR on all impaired capital balances throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable.

1.4 Amounts receivable from customers

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

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. For all accounts which are not impaired, a further incurred but not reported provision (IBNR) is calculated and charged to the income statement based on management's estimates of the propensity of these accounts to default from conditions which existed at the balance sheet date.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default and information regarding the likely eventual loss including recoveries. These assumptions and assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Certain freehold property is held at previous revalued amounts less accumulated depreciation as the Group has elected to use these amounts as the deemed cost as at the date of transition to IFRS under the transitional arrangements of IFRS 1.

Depreciation is provided on the cost or valuation of property, plant and equipment in order to write such cost or valuation over the expected useful lives as follows;

Freehold Buildings	2% per annum straight line
Computers	20% per annum straight line
Fixtures and Fittings	10% per annum straight line or 20% per annum reducing balance
Motor Vehicles	25% per annum reducing balance

Freehold Land is not depreciated.

1. Accounting Policies continued

1.6 Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.7 Preference shares

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

1.8 Pensions

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

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

1.9 Share-based payments

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

1.10 Leases

Rental costs under operating leases are charged to the income statement on a straight line basis.

1.11 Investments

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

1.12 Critical accounting judgements and key sources of estimation uncertainty

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

D2 Notes to the Accounts

Year ended 31 January 2018

2. SEGMENTAL ANALYSIS

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

Class of business	Revenue		Profit before taxation	
	Year ended	Year ended	Year ended	Year ended
	31.1.18	31.1.17	31.1.18	31.1.17
	£000	£000	£000	£000
Motor finance	78,882	60,521	30,211	25,186
Property bridging finance	899	–	(298)	–
Central costs net of central finance income	–	–	247	17
	79,781	60,521	30,160	25,203

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

Class of business	Assets		Liabilities	
	Year ended	Year ended	Year ended	Year ended
	31.1.18	31.1.17	31.1.18	31.1.17
	£000	£000	£000	£000
Motor finance	253,971	195,330	(178,402)	(136,257)
Property bridging finance	10,975	–	(11,217)	–
Central	247	437	77,242	79,957
	265,193	195,767	(112,377)	(56,300)

Depreciation of assets for motor finance was £251,000 (2017: £217,000), for property bridging finance was £9,000 (2017: £nil) and for central was £34,000 (2017: £30,000). Fixed asset additions for motor finance were £999,000 (2017: £286,000), for property bridging finance were £44,000 (2017: £nil) and for central were £35,000 (2017: £75,000).

The net finance credit for central costs was £2,626,000 (2017: £2,662,000), for motor finance was a cost of £5,307,000 (2017: £4,330,000) and for property bridging finance was a cost of £137,000 (2017: £nil). The tax charge for central costs was £49,000 (2017: tax credit £151,000), for motor finance was a tax charge of £5,753,000 (2017: £5,012,000) and for property bridging finance was a tax credit of £56,000 (2017: £nil).

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 costs net of central finance income.

No geographical analysis is presented because all operations are situated in the United Kingdom.

3. Revenue

	2018	2017
	£000	£000
Interest and other income from motor finance hire purchase loans	78,882	60,521
Interest and other income from property bridging loans	899	–
Total revenue	79,781	60,521

Strategic Report

4. Cost of Sales

	2018	2017
	£000	£000
Loan loss provisioning charge – motor finance	19,434	12,194
Loan loss provisioning charge – property bridging finance	162	–
Total loan loss provisioning charge	19,596	12,194
Other cost of sales – motor finance	16,977	12,871
Other cost of sales – property bridging finance	307	–
Total cost of sales	36,880	25,065

Corporate Governance

5. Information Regarding Employees

	2018	2017
	No.	No.
The average number of persons employed by the Group in the year was:		
Motor finance	129	110
Property bridging finance	4	–
Central	13	15
	146	125

Independent Auditors' Report

	2018	2017
	£000	£000
Staff costs during the year (including directors):		
Wages and salaries	6,686	6,031
Social security costs	659	544
Pension costs for defined contribution scheme	261	229
	7,606	6,804

Figures above are for continuing operations only.

Directors' remuneration and details of the highest paid director are disclosed in the audited section of the Directors' Remuneration Report.

The Accounts

Other Information

D2 Notes to the Accounts

Year ended 31 January 2018

6. Operating Profit

	2018 £000	2017 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned assets	294	253
Staff costs	7,606	6,804
Cost of future share based payments	317	409
Rentals under operating leases for office properties	76	96
Loss on sale of fixed assets	5	14

The analysis of auditor's remuneration is as follows:

	2018 £000	2017 £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	23	21
The audit of the Company's subsidiaries	60	49
Total audit fees	83	70
Audit related assurance services	36	25
Tax compliance services	–	5
Other services	6	5
Total non-audit fees	42	35
Total	125	105

7. Finance Costs (Net)

	2018 £000	2017 £000
31.5% cumulative preference dividend	142	142
Bank loan and overdraft	2,676	1,561
Interest payable and similar charges	2,818	1,703
Interest receivable	–	(35)
	2,818	1,668

8. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit for the financial year after taxation amounted to £8,419,000 (2017: £6,267,000).

9. Tax on Profit Before Taxation

	2018 £000	2017 £000
Continuing Operations		
Corporation tax at 19.2% (2017: 20.0%) based on profit for the year	5,800	5,027
Adjustment in respect of prior years	(5)	(166)
	5,795	4,861
Deferred tax (timing differences- origination and reversal)	(49)	–
	5,746	4,861

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.

	2018 £000	2017 £000
Profit on ordinary activities before tax from continuing operations	30,160	25,203
Tax on profit on ordinary activities at standard rate of 19.2% (2017: 20.0%)	5,781	5,041
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	60	64
Effects of other tax rates and timing differences	(90)	(78)
Prior period adjustments	(5)	(166)
Total actual amount of tax	5,746	4,861

The main rate of corporation tax was reduced from 21% to 20% with effect from 1 April 2015 and from 20% to 19% with effect from 1 April 2017, therefore the tax rate applicable to the current period is a rate of 19.2% (2017: 20.0%).

Finance Bill 2016 provides that the tax rate will further reduce to 17% with effect from 1 April 2020. The effect of this proposed tax rate reduction will be reflected in future periods.

10. Dividends

	2018 £000	2017 £000
2nd Interim paid for the year ended 31/1/2017 – 28.0p per Ordinary share (23.0p)	3,350	2,744
Final paid for the year ended 31/1/2017 – 39.0p per Ordinary share (33.0p)	4,672	3,944
1st Interim paid for the year ended 31/1/2018 – 28.0p per Ordinary share (24.0p)	3,357	2,871
Total ordinary dividends paid	11,379	9,558
6% cumulative preference dividend paid March and September	12	12
Credit for unrepresented dividend payments over 12 years old	(14)	(22)
Total dividends paid	11,377	9,548

A second interim dividend of 32.0p per ordinary share for the year ended 31 January 2018 was paid on 16 March 2018 and the directors are proposing a final dividend for the year ended 31 January 2018 of 45.0p per ordinary share. The final dividend will be paid on 6 July 2018 to shareholders on the register at close of business on 15 June 2018 subject to approval by shareholders at the Annual General Meeting on Friday 18 May 2018.

D2 Notes to the Accounts

Year ended 31 January 2018

11. Earnings Per Ordinary Share

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £24,414,000 (2017: £20,342,000).

The number of shares used in the basic eps calculation is the average number of shares in issue during the year of 11,978,685 (2017: 11,918,610). There are a total of 148,601 dilutive share options in issue (2017: 175,718). The number of shares used in the diluted eps calculation is 12,061,348 (2017: 12,030,199).

12. Property, Plant And Equipment

Group	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
At 1 February 2016	577	377	1,185	2,139
Additions	1	162	198	361
Disposals	–	(141)	(139)	(280)
At 31 January 2017	578	398	1,244	2,220
Additions	691	126	260	1,077
Disposals	(61)	(68)	(259)	(388)
At 31 January 2018	1,208	456	1,245	2,909
Accumulated depreciation				
At 1 February 2016	118	178	694	990
Charge for the year	20	74	159	253
Eliminated on disposals	–	(75)	(138)	(213)
At 31 January 2017	138	177	715	1,030
Charge for the year	27	79	188	294
Eliminated on disposals	(60)	(36)	(250)	(346)
At 31 January 2018	105	220	653	978
Net book value				
At 31 January 2018	1,103	236	592	1,931
At 31 January 2017	440	221	529	1,190

Included in the above is land at a cost or valuation of £22,000 (2017: £22,000) which is not depreciated.

Company	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
At 1 February 2016	42	125	82	249
Additions	–	44	31	75
Disposals	–	(52)	–	(52)
At 31 January 2017	42	117	113	272
Additions	–	34	–	34
Disposals	–	(31)	–	(31)
At 31 January 2018	42	120	113	275
Accumulated depreciation				
At 1 February 2016	9	78	38	125
Charge for the year	1	19	17	37
Eliminated on disposals	–	(36)	–	(36)
At 31 January 2017	10	61	55	126
Charge for the year	–	20	13	33
Eliminated on disposals	–	(21)	–	(21)
At 31 January 2018	10	60	68	138
Net book value				
At 31 January 2018	32	60	45	137
At 31 January 2017	32	56	58	146

Included in the above is land at cost of £22,000 (2017: £22,000) which is not depreciated.

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

Group		Company	
2018 £000	2017 £000	2018 £000	2017 £000
10	10	10	10

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

D2 Notes to the Accounts

Year ended 31 January 2018

13. Investments and Related Party Transactions

Company	2018 £000	2017 £000
Shares in subsidiary companies		
At historic cost less impairment	533	1,951

Interests in subsidiaries

The principal subsidiary of the Company, which is wholly owned directly by the Company, operates in Great Britain and is incorporated in England and Wales.

Subsidiary and Registered Number

Advantage Finance Limited (03773673)

Aspen Bridging Limited (10270026)

Principal activity

Motor finance

Property bridging finance

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

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

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 27. During the year the Group made charitable donations amounting of £89,000 (2017: £52,000) 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 (2017: £nil). During the year the Group obtained supplies at market rates amounting to £5,580 (2017: £9,841) 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 £8,200,000 (2017: £6,100,000). 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 2018 the Company was owed £180,863,631 (2017: £126,642,233) by other Group undertakings as part of an inter company loan facility and owed £nil (2017: £nil). All related party transactions were settled in full when due.

14. Amounts Receivable from Customers

	Group	
	2018	2017
	£000	£000
Motor finance hire purchase	295,677	224,283
Less: Loan loss provision motor finance	(44,462)	(30,754)
Amounts receivable from customers motor finance	251,215	193,529
Property bridging finance loans	11,003	–
Less: Loan loss provision property bridging finance	(162)	–
Amounts receivable from customers property bridging finance	10,841	–
Amounts receivable from customers total	262,056	193,529
Analysis by future date due		
– Due within one year	83,459	57,156
– Due in more than one year	178,597	136,373
Amounts receivable from customers	262,056	193,529
Analysis of security		
Loans secured on vehicles under hire purchase agreements	247,994	191,316
Loans secured on property	10,841	–
Other loans not secured	3,221	2,213
Amounts receivable from customers	262,056	193,529
Analysis of overdue		
<i>Not impaired</i>		
Neither past due nor impaired	229,994	170,683
Past due up to 3 months but not impaired	–	–
Past due over 3 months but not impaired	–	–
<i>Impaired</i>		
Past due up to 3 months	24,192	17,254
Past due over 3 months and up to 6 months	2,894	2,182
Past due over 6 months or default	4,976	3,410
Amounts receivable from customers	262,056	193,529

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contractual terms which are not rescheduled. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2017: £nil).

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

D2 Notes to the Accounts

Year ended 31 January 2018

14. Amounts Receivable from Customers Continued Analysis of movements on loan loss provisions

Group	Property Bridging finance £000	Motor finance £000	Total £000
At 1 February 2016	–	24,279	24,279
Charge for year	–	12,194	12,194
Amounts written off during year	–	(3,012)	(3,012)
Unwind of discount	–	(2,707)	(2,707)
At 31 January 2017	–	30,754	30,754
Charge for year	162	19,434	19,596
Amounts written off during year	–	(3,298)	(3,298)
Unwind of discount	–	(2,428)	(2,428)
At 31 January 2018	162	44,462	44,624

There has been no material change in the average discount rate used for the years to 31 January 2017 and 31 January 2018.

15. Trade and Other Receivables

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts owed by subsidiary undertakings	–	–	180,864	126,642
Other debtors	16	17	4	3
Prepayments and accrued income	702	586	41	224
	718	603	180,909	126,869

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and, other than £0.0m of intercompany receivables from Advantage Finance Limited (2017: £15.0m) which are due within one year and £115.0m of intercompany receivables from Advantage Finance Limited (2017: £70.0m), which are due after more than one year, the amounts owed by subsidiary undertakings have no fixed maturity date. Under IFRS7 there are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and other receivables is not materially different to their fair value.

16. Borrowings Including Bank Overdrafts and Loans

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Bank overdrafts and loans – due within one year	991	11,171	–	10,172
Bank and other loans – due in more than one year	104,000	38,000	104,000	38,000
	104,991	49,171	104,000	48,172

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 2018:

- a facility for £3 million (2017: £3m) which is subject to annual review in July 2018.
- a facility for £2 million (2017: £2m) which is subject to annual review in January 2019.

Total drawdowns of these overdraft facilities at 31 January 2018 were £991,353 (2017: £1,171,145).

S&U plc had the following revolving credit facilities available at 31 January 2018:

- - a facility for £60 million (2017: £40m) which is due for repayment in March 2021.
- - a facility for £25 million (2017: £15m) which is due for repayment in March 2021.

S&U plc had the following term loan facilities available at 31 January 2018:

- - a facility for £15 million (2017: £15m) which is due for repayment in April 2021*.
- - a facility for £15 million (2017: £15m) which is due for repayment in April 2022*.

* these term loan facilities were increased after the year end from £15m each facility to £25m each facility.

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

The Company is part of the Group overdraft facility and at 31 January 2018 was £nil overdrawn (2017: £172,225).

A maturity analysis of the above borrowings is given in note 21.

17. Trade and Other Payables

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade creditors	382	342	43	58
Other creditors	2,167	1,667	51	117
	2,549	2,009	94	175

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

D2 Notes to the Accounts

Year ended 31 January 2018

18. Deferred Tax

Group	Accelerated tax depreciation £000	Share based payments £000	Retirement benefit obligations £000	Total £000
At 1 February 2016	(57)	496	(4)	435
Credit/(debit) to income	7	(11)	4	–
Credit to equity	–	6	–	6
At 31 January 2017	(50)	491	–	441
(Debit)/credit to income	(10)	59	–	49
Charge to equity	–	(3)	–	(3)
At 31 January 2018	(60)	547	–	487

Company	£000	£000	£000	£000
At 1 February 2016	(18)	113	(4)	91
Credit to income	13	3	4	20
Charge to equity	–	(50)	–	(50)
At 31 January 2017	(5)	66	–	61
Credit to income	7	19	–	26
Charge to equity	–	(24)	–	(24)
At 31 January 2018	2	61	–	63

Finance Act 2013 enacted a reduced tax rate of 20% with effect from 1 April 2015 and the Finance (No.2) Bill 2015 provides that the tax rate will reduce to 19% with effect from 1 April 2017 and Finance Bill 2016 provides that the tax rate will further reduce to 17% with effect from 1 April 2020. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax balance is expected to reverse is 19% and this has been applied to calculate the deferred tax position at 31 January 2018.

19. Called Up Share Capital and Preference Shares

	2018 £000	2017 £000
Called up, allotted and fully paid		
11,990,159 Ordinary shares of 12.5p each (2017: 11,963,042)	1,499	1,495
200,000 6.0% Cumulative preference shares of £1 each	200	200
Called up share capital	1,699	1,695

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

20. Financial Liabilities

	2018 £000	2017 £000
Preference Share Capital		
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2015: 3,598,506)	450	450

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

21. Financial Instruments

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

The Group and the Company's business objectives rely on maintaining a well spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process. The motor finance hire purchase debts are secured by the financed vehicle.

As at 31 January 2018 the Group's indebtedness amounted to £104,991,000 (2017: £49,171,000) and the Company's indebtedness amounted to £104,000,000 (2017: £49,171,000). The Group gearing was 68.7% (2017: 35.3%), being calculated as borrowings net of cash as a percentage of total equity. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

S&U plc has unused committed borrowing facilities at 31 January 2018 of £11.0m (2017: £37.0m). 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 2018 was estimated to be 31% (2017: 31%). The Company had no financial assets at 31 January 2017 or 31 January 2018. The average effective interest rate of financial liabilities of the Group at 31 January 2018 was estimated to be 4% (2017: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2018 was estimated to be 4% (2017: 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 Glass's 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.

D2 Notes to the Accounts

Year ended 31 January 2018

21. 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 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. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year.

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

- profit for the year ended 31 January 2018 would decrease/increase by £0.4million (2017: decrease/increase by £0.2million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.3million (2017: decrease/increase by £0.2million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

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

- profit for the year ended 31 January 2018 would decrease/increase by £0.7million (2017: decrease/increase by £0.4million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.6million (2017: decrease/increase by £0.4million). 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 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 2018 the Group gearing level was 68.7% (2017: 35.3%) which the directors consider to have met their objective.

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

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities with the exception of the junior preference share capital are considered to be not materially different from their book values. The junior preference share capital classified as a financial liability is estimated to have a fair value of £1.9m (2017: £1.9m) but is considered more appropriate under IFRS to be included in the balance sheet at amortised cost. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and based on available observable market data. The fair value hierarchy is derived from Level 2 inputs in accordance with IFRS13.

Liquidity risk

The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Most of the Group's financial assets are repayable within two years which together with net gearing of just over 69% results in a positive liquidity position.

Group	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
At 31 January 2018						
Financial assets	83,459	54,732	123,865	–	–	262,056
Other assets	–	–	–	–	3,136	3,136
Cash at bank and in hand	1	–	–	–	–	1
Total assets	83,460	54,732	123,865	–	3,136	265,193
Shareholders' funds	–	–	–	–	(152,816)	(152,816)
Bank overdrafts and loans	(991)	–	(104,000)	–	–	(104,991)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(6,936)	(6,936)
Total liabilities and shareholders' funds	(991)	–	(104,000)	(450)	(159,752)	(265,193)
Cumulative gap	82,469	137,201	157,066	156,616	–	–

Group	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
At 31 January 2017						
Financial assets	57,156	42,860	93,513	–	–	193,529
Other assets	–	–	–	–	2,234	2,234
Cash at bank and in hand	4	–	–	–	–	4
Total assets	57,160	42,860	93,513	–	2,234	195,767
Shareholders' funds	–	–	–	–	(139,467)	(139,467)
Bank overdrafts and loans	(11,171)	–	(23,000)	(15,000)	–	(49,171)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(6,679)	(6,679)
Total liabilities and shareholders' funds	(11,171)	–	(23,000)	(15,450)	(146,146)	(195,767)
Cumulative gap	45,989	88,849	159,362	143,912	–	–

D2 Notes to the Accounts

Year ended 31 January 2018

21. Financial Instruments continued

Company	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
At 31 January 2018						
Other assets	–	–	115,000	–	66,642	181,642
Cash at bank and in hand	408	–	–	–	–	408
Total assets	408	–	115,000	–	66,642	182,050
Shareholders' funds	–	–	–	–	(77,106)	(77,106)
Bank overdrafts and loans	–	–	(104,000)	–	–	(104,000)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(494)	(494)
Contingent liabilities	(1,399)	–	–	–	–	(1,399)
Total liabilities and shareholders' funds	(1,399)	–	(104,000)	(450)	(77,600)	(183,449)
Cumulative gap	(991)	(991)	10,009	9,559	(1,399)	(1,399)

Company	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
At 31 January 2017						
Other assets	15,000	–	55,000	15,000	44,027	129,027
Cash at bank and in hand	1	–	–	–	–	1
Total assets	15,001	–	55,000	15,000	44,027	129,028
Shareholders' funds	–	–	–	–	(79,992)	(79,992)
Bank overdrafts and loans	(10,172)	–	(23,000)	(15,000)	–	(48,172)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(414)	(414)
Contingent liabilities	(999)	–	–	–	–	(999)
Total liabilities and shareholders' funds	(11,171)	–	(23,000)	(15,450)	(80,406)	(130,027)
Cumulative gap	3,830	3,830	35,830	35,380	(999)	(999)

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

Group	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
At 31 January 2018						
Bank overdrafts and loans	991	–	–	–	–	991
Trade and other payables	–	2,549	–	–	–	2,549
Tax liabilities	–	3,600	–	–	–	3,600
Accruals and deferred income	–	787	–	–	–	787
Borrowings	–	–	–	104,000	–	104,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2018	991	6,936	–	104,000	450	112,377

Group	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
At 31 January 2017						
Bank overdrafts and loans	1,171	10,000	–	–	–	11,171
Trade and other payables	–	2,009	–	–	–	2,009
Tax liabilities	–	3,104	–	–	–	3,104
Accruals and deferred income	–	1,566	–	–	–	1,566
Borrowings	–	–	–	23,000	15,000	38,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2017	1,171	16,679	–	23,000	15,450	56,300

D2 Notes to the Accounts

Year ended 31 January 2018

21. Financial Instruments continued

Company	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
At 31 January 2018						
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	94	–	–	–	94
Tax liabilities	–	269	–	–	–	269
Accruals and deferred income	–	131	–	–	–	131
Borrowings	–	–	–	104,000	–	104,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2018	–	494	–	104,000	450	104,944

Company	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
At 31 January 2017						
Bank overdrafts and loans	172	10,000	–	–	–	10,172
Trade and other payables	–	175	–	–	–	175
Tax liabilities	–	149	–	–	–	149
Accruals and deferred income	–	90	–	–	–	90
Borrowings	–	–	–	23,000	15,000	38,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2017	172	10,414	–	23,000	15,450	49,036

22. Reconciliation of Operating Profit to Net Cash Used in Operating Activities

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Operating Profit	32,978	26,871	5,841	3,455
Finance costs paid	(2,818)	(1,703)	(142)	(142)
Finance income received	–	35	2,768	2,804
Tax paid	(5,299)	(4,804)	46	(253)
Depreciation on plant, property and equipment	294	253	33	37
Loss on disposal of plant, property and equipment	5	14	–	6
Decrease in investment	–	–	1,418	–
Increase in amounts receivable from customers	(68,527)	(48,388)	–	–
Increase in trade and other receivables	(115)	(23)	(54,040)	(35,043)
Increase/(decrease) in trade and other payables	540	377	(81)	84
(Decrease)/increase in accruals and deferred income	(779)	(454)	41	(559)
Increase in cost of future share based payments	317	409	98	144
Movement in retirement benefit asset/obligations	(14)	(18)	(14)	(18)
Net cash used in operating activities	(43,418)	(27,431)	(44,032)	(29,485)

23. Financial Commitments

Capital commitments

At 31 January 2018 and 31 January 2017, the Group and Company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2018 and 31 January 2017, the Group and Company had outstanding commitments under non-cancellable operating leases for continuing operations which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Within one year	39	88	20	40
In the second to fifth years inclusive	–	45	–	20
After five years	–	–	–	–
	39	133	20	60

Operating lease payments represent rentals payable by the Group and the Company for certain of its office properties.

24. Contingent Liabilities

The Company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 2018 was £1,399,186 (2017: £998,920).

25. Share Based Payments

The Company operates a Discretionary Share Option Plan (DSOP 2008) and full details of the share options outstanding under that plan are contained within the Report of the Board to the Shareholders on Remuneration Policy. The Company also operates a Long Term Incentive Plan (LTIP 2010) and full details of the share options outstanding during the year are shown below:

	Number Of Share Options 2018	Number Of Share Options 2017
LTIP 2010		
Outstanding at beginning of year	174,668	206,335
Granted during the year	–	–
Lapsed during the year	–	–
Exercised during the year	(26,667)	(31,667)
Expired during the year	–	–
Outstanding at end of year	148,001	174,668
Exercisable at end of year	5,000	5,000

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

The Group recognised total share based payment expenses for the DSOP and the LTIP of £317,000 in the year to 31 January 2018 (2017: £409,000).

D2 Notes to the Accounts

Year ended 31 January 2018

26. Retirement Benefit Obligations

The Company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2016. At that valuation it was assumed that the appropriate post retirement discount rate was 1.90% and pension increases would be 3.35% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS19 in order to assess the liabilities of the scheme as at 31 January 2018. 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 2019 is £nil.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2016 and updated to 31 January 2018 by a qualified independent actuary. The valuation method used was the attained age method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2018	At year end 31 January 2017
Rate of increase in salaries	Na	Na
Pension increases:		
Pre 97 Pension	0.0%	0.0%
Post 97 Pension	3.2%	3.4%
Discount rate	2.4%	2.6%

Mortality assumption for 31 January 2018 comes from the S2PA tables with CMI-2016 1.25% long term trend and for 31 January 2017 mortality assumption was 130% of PCA00 long cohort with 1% underpin.

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 2018 £000	Proportion held at 31 January 2017 £000
Equities	79%	81%
Bonds	13%	13%
Cash/Other	8%	6%
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 18 £000	Jan 17 £000
Fair value of plan assets	1,151	1,180
Present value of defined benefit obligations	(533)	(644)
Surplus before restriction	618	536
Restriction on Surplus	(618)	(536)
Pension asset	0	0

The amount recognised in the income statements during the year

	Jan 18 £000	Jan 17 £000
Current service cost	-	-
Interest on obligation	15	19
Expected return on plan assets	(29)	(37)
Expense recognised in the income statement	(14)	(18)
Opening net (asset)	-	-
Expense	(14)	(18)
Contributions paid	-	-
Actuarial loss	14	18
Closing net (asset)	0	0

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

	Jan 18 £000	Jan 17 £000
Movement in present value of obligation		
Present value of obligation at 1 February	644	552
Interest cost	15	19
Current service cost	-	-
Benefits paid	(127)	(45)
Actuarial (gain)/loss on obligation – assumptions	(17)	103
Actuarial loss on obligation – experience	18	15
Present value of obligation at 31 January	533	644
Experience adjustment on scheme liabilities		
Actuarial (gain)/loss as percentage of scheme liabilities	3%	2%
Fair value of plan assets at 1 February	1,180	1,078
Expected return on plan assets	29	37
Contributions	-	-
Benefits paid	(127)	(45)
Actuarial gain on plan assets	69	110
Fair value of plan assets at 31 January	1,151	1,180
Experience adjustment on assets		
Actuarial gain as percentage of scheme assets	6%	9%

Strategic Report

Corporate Governance

Independent Auditors' Report

The Accounts

Other Information

Five Year Financial Record

	2014	2015	2016	2017	2018
	£000	£000	£000	£000	£000
Continuing Operations Only					
Revenue	26,226	36,102	45,182	60,521	79,781
Cost of Sales	(4,803)	(6,674)	(8,980)	(12,871)	(17,284)
Impairment	(5,112)	(5,863)	(7,611)	(12,194)	(19,596)
Administrative Expenses	(6,060)	(7,120)	(7,340)	(8,585)	(9,923)
Operating profit	10,251	16,445	21,251	26,871	32,978
Finance Costs (net)	(727)	(1,680)	(1,782)	(1,668)	(2,818)
Profit before taxation	9,524	14,765	19,469	25,203	30,160
Taxation	(2,197)	(2,920)	(3,583)	(4,861)	(5,746)
Profit for the year from continuing operations	7,327	11,845	15,886	20,342	24,414
Assets employed in all operations					
Fixed assets	1,932	2,406	1,149	1,190	1,931
Amounts receivable and other assets	108,019	142,953	164,407	194,577	263,262
Total assets	109,951	145,359	165,556	195,767	265,193
Liabilities	(40,541)	(63,895)	(37,300)	(56,300)	(112,377)
Total equity	69,410	81,464	128,256	139,467	152,816
Earnings per Ordinary share from continuing operations	62.2p	100.1p	133.6p	170.7p	203.8p
Earnings per Ordinary share from continuing and discontinued operations	113.2p	156.0p	581.9p	170.7p	203.8p
Dividends declared per Ordinary share	54.0p	66.0p	76.0p	91.0p	105.0p
Group gearing	46.6%	65.8%	9.3%	35.3%	68.7%

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

Financial Calendar

Annual General Meeting		18 May 2018
Announcement of results	Half year ending 31 July 2018	25 September 2018
	Year ending 31 January 2019	March 2019
Payment of dividends	6% Cumulative preference shares	30 September 2018 & 31 March 2019
	31.5% Cumulative preference shares	31 July 2018 & 31 January 2019
	Ordinary shares	— 2017/2018 Final
		Ex dividend Date
		Record Date
		— 2018/2019 First interim
		— 2018/2019 Second interim
		6 July 2018 14 June 2018 15 June 2018 November 2018 March 2019

Directions to our AGM

Annual General Meeting, Nuthurst Grange Country House Hotel, 18 May 2018 at 12 noon.

From M42

Leave the M42 at junction 4 (signed Henley-in-Arden and A3400)

Join the A3400 (Stratford Road), following signs from Hockley Heath and Henley-in-Arden.

Continue on the A3400 for 2.5 miles until the junction with Nuthurst Grange Road.

Turn right onto Nuthurst Grange Road.

The entrance to the hotel is on the left-hand side (see map)

From M40 Southbound

Leave the M40 at junction 16 (signed Henley-in-Arden and A3400).

Join the A3400 (Stratford Road), following signs to Hockley Heath.

Turn left onto Nuthurst Grange Road.

The entrance to the hotel is on the left-hand side (see map)

From M40 Northbound

Follow M40 to its conclusion then join the M42 towards Birmingham international Airport.

Leave the M42 at junction 4 (signed Henley-in-Arden and A3400).

Follow directions above "From M42".

Officers and Professional Advisers

Directors

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

Secretary

C H Redford ACA

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

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Auditor

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Statutory Auditor
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Internal Auditor

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The Accounts

Independent Auditors' Report

Corporate Governance

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