



Strong foundations confident future

Annual Report and Accounts

for the Year ended 31 January 2014

Stock code: SUS



Welcome to S&U

Founded in 1938, S&U plc group has over 140,000 customers and provides work for over 800 people. Our aim is to provide Britain's foremost consumer and motor finance service. We continually strive to achieve that ideal to the benefit of our customers, our employees and of course our shareholders.

OUR VALUES

- » Respect for every customer and for the quality of service this demands of us
- » Our success depends on understanding and interacting with the communities we serve
- » Conservative approach to underwriting cost and collections to help ensure sustainable growth
- » Giving our customers the credit they deserve

OUR BUSINESS



Home Credit

Valued home credit facilities provided to over 85,000 households in UK via small size unsecured personal loans.

For more information on our group please go to **page 00**

Motor Finance

Valued motor finance facilities provided to over 60,000 customers in UK since inception in 1999, via secured hire purchase loans.

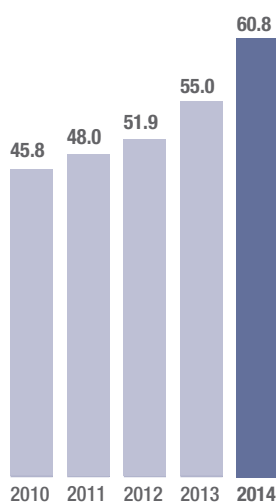
REASONS TO INVEST

- » Highly respected group which prides itself in exceptional customer service
- » Prudent and well established lending process
- » Track record of growth and profitability
- » Strong balance sheet

Financial Highlights

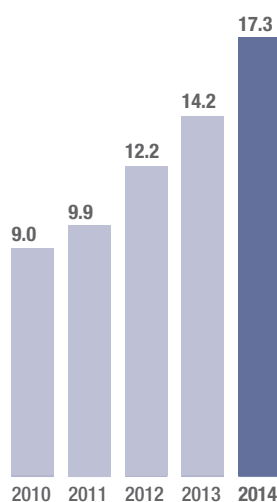
Revenue (£m)
£60.8m
(2013: £55.0m)

+11%



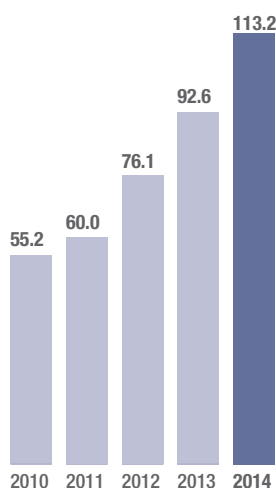
Profit before tax (£m)
£17.3m
(2013: £14.2m)

+22%



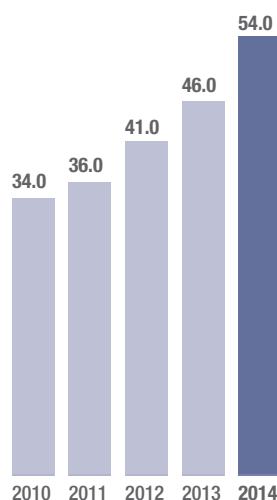
Basic EPS (pence)
113.2p
(2013: 92.6p)

+22%



Dividend declared (pence)
54p
(2013: 46p)

+17%



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» RECORD PERFORMANCE BY ADVANTAGE IN MOTOR FINANCE

Profit before tax up to 42%.

» HOME CREDIT STABLE PERFORMANCE

Improved advances growth in 4th quarter.

» TREASURY POSITION STRENGTHENED

Additional £15m facility in year to support growth in Motor Finance.

Group at a Glance

Our aim is to provide Britain's foremost niche consumer and motor finance service. We have over 140,000 customers and provide work for over 800 people.



Home Credit Consumer Finance

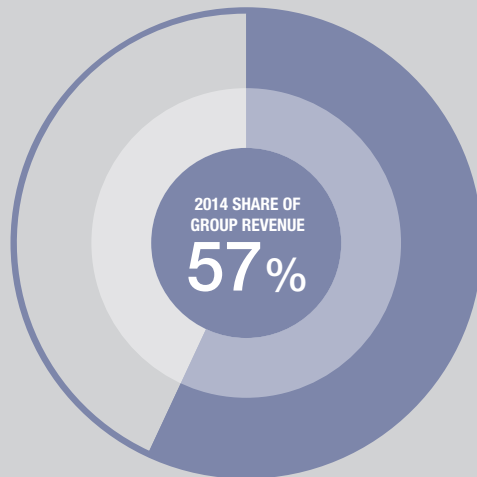
S&U was founded in Birmingham in 1938 by Clifford Coombs, a charismatic figure from South Wales. His secret lay in his ability to charm and motivate people, whether they were customers or employees. By 1975, changing customer tastes and sophistication saw S&U and its sister company SD Taylor transform their goods based credit business into a finance and HP operation. This was successfully taken forward by Clifford's sons Keith and Derek Coombs during the following three decades. Consistent with this customer focused home credit operation we now trade as Loansathome4u.

Loansathome4u provide valued home credit facilities to customers via over 500 agents across the UK. The emphasis on a personal relationship between customer and agent is as central to Loansathome4u's philosophy today as it was to Clifford Coombs' success.

FOR MORE INFORMATION:
www.loansathome4u.co.uk



- » 57%
% SHARE OF GROUP REVENUE
- » £34.7m
REVENUE





Motor Finance

Founded 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 employs over 90 people and has provided motor finance for over 60,000 customers across the UK, growing at the rate of 8,000 per year.

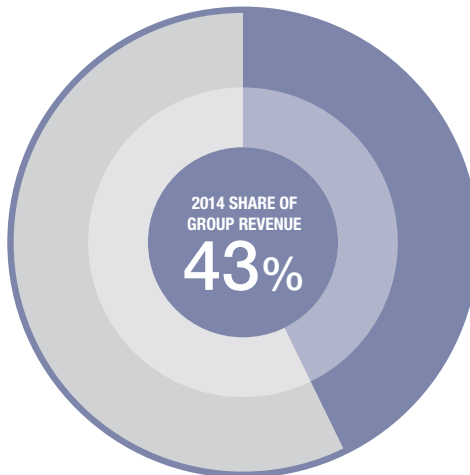
Operating within the non-prime market sector, Advantage has built its excellent reputation and track record on quality as opposed to quantity. Funding is invested wisely through a very experienced management team the majority of whom have been with the Company since inception. Low staff turnover and a strong focus on reward and recognition are fundamental to the success of Advantage which has achieved 14 consecutive years of record profits.

FOR MORE INFORMATION: www.advantage-finance.co.uk



» **43%**
% SHARE OF GROUP REVENUE

» **£26.1m**
REVENUE



A1. Chairman's Statement



Anthony Coombs
Chairman

I am pleased to announce that, in the year S&U celebrated its 75th anniversary, record profit before tax of £17.3m (2013: £14.2m) was achieved. This is proof that the enduring qualities imbued by those dedicated to S&U in the past – have respect for every customer and for the quality of service this demands of us – are firmly rooted in the way we do business today. As our founder Clifford Coombs was fond of saying, “success breeds success.” I am confident that our continued and determined pursuit of these ideals will bring further rich rewards.

I intend that the Annual Report will adhere to the customary concise, accurate, realistic and hopefully informative content which appears to have been appreciated by our shareholders at S&U for many years.

Financial Review

S&U's success this year has again been spearheaded by Advantage Finance, our motor finance lender, which now contributes around two thirds of Group profit. Advantage produced yet another record year achieving profit before tax of £11.5m (2013: £8.1m), a remarkable 42% increase. Deal numbers reached a record 8,460 (2013: 6,118). Prospects for growth in a market estimated at potentially 4.5 million customers in the UK are significant - particularly as the economy revives and a gradual recovery in consumer confidence takes place. Advantage will continue to develop products to continue this significant expansion, whilst ensuring that debt quality remains at its current best ever levels, as measured by collections performance.

I am pleased to report that the same macro-economic trends also bode well for our traditional home credit business. Here profit before tax fell slightly to £5.8m (2013: £6.1m) as our customers felt the impact of utility price increases and, to a lesser extent, the threat of benefit changes, particularly early in the year. However recent trends on both sales and cash have been promising, particularly at our peak Christmas trading period when sales increased by just under 10%. We have attracted new customers, modernised and are in course of making our IT platforms more customer friendly, and have made some small acquisitions such as Ambassador Finance in the West of Scotland in February 2014, all of which justify our confidence in the future of home credit.

Dividends

Our dividend policy has always been characterised by its sustainability. Our habitual emphasis on both growth and stability has seen dividends per share grow since 2009 by 69%, whilst cover over that period has increased from 1.6 to over 2. I am therefore pleased that current results allow the Board to recommend a final dividend of 24p per ordinary share (2013: 20p). This will be paid on 11 July 2014 to ordinary shareholders on the share register at 20 June 2014. This dividend is of course subject to approval by shareholders at our AGM on 20 May 2014.

This means that, following our normal practice of paying interim dividends in November and April, total dividends for the year will be 54p (2013: 46p) per ordinary share, an increase of 17%. Dividend cover will increase slightly to over 2.1.

HIGHLIGHTS

- » **113.2p (2013: 92.6p)**
EARNINGS PER SHARE INCREASED 22%
- » **£17.3m (2013: 14.2m)**
PROFIT BEFORE TAX INCREASED 21%
- » **46.6% (2013: 33.7%)**
GEARING - £15M OF ADDITIONAL MEDIUM TERM FACILITIES PUT IN PLACE
- » **2.1 times (2013: 2.0 times)**
GOOD DIVIDEND COVER
- » **£60.8m (2013: 55.0m)**
REVENUE INCREASED 11%
- » **£69.4m (2013: 61.1m)**
NET ASSETS INCREASED 14%

Corporate Governance and Board Changes

Changes in UK Corporate Governance are on-going. Whilst the UK Corporate Code was revised by the Financial Reporting Council as long ago as September 2012, some changes, including those on the work of the Audit and Remuneration Committees are clear, but others, for instance on the make-up of Company Boards, are still to be confirmed.

Hence, conscious as ever of our responsibilities to all our shareholders, we have adapted our report to accommodate new requirements in the way in which we present and justify Directors remuneration. We have also changed the way in which the Audit Committee reports particularly in the light of changing Corporate Governance requirements.

S&U has been traded on the Stock Exchange for over 50 years; as such we are well aware of our responsibilities to all shareholders and, subject to insider rules and the dictates of commercial confidentiality are always happy to share our philosophy and trading methods with our shareholders. We fully support the principles of Corporate Governance contained in the UK Corporate Governance Code. Shareholders should derive great reassurance from the identity of interest between large major shareholders and themselves. This is a business model which has significantly benefited the Mittelstand in Germany over the past 30 years. Sadly it has become increasingly rare and less properly appreciated in the UK.

Much of Corporate Governance introduced recently has been designed to overcome a perceived conflict of interest between managers and shareholders rather than to encourage its identity. By contrast S&U has felt it appropriate, over the past years, to make use of the "comply and explain provisions" still explicitly allowed for companies outside the FTSE 350. An historic, although not current example, has been my combining the roles of Managing Director and Chairman.

Further we have preferred the consistency and stability given to the Board by long-serving Non-Executive Directors, believing that their practical and deepening experience has not in any way diminished their independence, integrity or objectivity.

We are pleased this year to welcome Katherine Innes Ker, a very experienced and widely respected NED, to our Board; Katherine has a particular interest in Corporate Governance matters and relations with large shareholders. Further, this year and annually in the future, we have decided that all Board members will submit themselves for election. This, we trust, will give our loyal shareholders every opportunity to recognise and endorse the energetic way in which our Directors oversee the Company's affairs.

Of course, the Board's composition is kept continually under review; although next year may see further changes, we believe that for now the significant current reforms in Corporate Governance, Financial Reporting and Industry Regulation make continuity and experience of our NEDs of paramount importance. I trust that our shareholders will concur.

Current Trading and Outlook

Notwithstanding this winter's appalling weather and the doom saying of the OECD, IMF and elsewhere of only nine months ago, both the British economy and consumer confidence are returning to unmistakable, if not yet robust, health. This is evident in our current trading and prompts our confidence for the coming year.

But, S&U's ability to prosper from such a climate is not axiomatic. We never take progress for granted. That depends upon the dedication, energy and commitment of all those who work with us. Both within the Company and to the outside world, S&U has always portrayed itself as a family business. We make no apologies for this. It has been the bedrock and impulse for our growth over 75 years of trading. It will ensure even greater progress in the future.



Anthony Coombs
Chairman
24 March 2014

A2. Business Model & Strategy

A2.1 Strategic Review

S&U's principal activities are in the provision of home credit to 85,000 households throughout the United Kingdom, excepting Northern Ireland, and of secured motor finance to nearly 20,000 people throughout the country.

The loans and hire purchase products we provide generate our profits and trading assets. This year Group profit before tax has risen by 21% to £17.3m (2013: £14.2m) and the book debt underpinning this has increased to £107.0m (2013: £86.3m). Group borrowing has risen to £32.4m (2013: £20.6m), as an additional £13.7m investment in Advantage Finance has been partially off-set by our established and cash generative home credit division.

The Group provides finance for everyday purposes and for motor purchases for people, generally in lower and middle income groups, some with impaired credit records, and who therefore have difficulty in accessing mainstream credit. By providing finance to them, we give our customers the means of smoothing out their weekly and monthly financial commitments, of getting to work and holding down a job, and in many cases of rehabilitating their credit rating. In home credit, the regular contact and home visit service we provide give us a unique, privileged and accurate insight into our customers' financial circumstances and capacity to repay. This explains why customer satisfaction ratings for home credit are the best in the consumer credit field.

Advantage Finance constantly refines its underwriting model to more accurately forecast the probable payment capability of those applying for finance. Its debt quality is a reflection of the prescience of this model, and its success in matching ability to pay with borrowings requirements.

These industry wide traits are complemented by S&U's business philosophy. In both home credit and motor finance we seek both growth and sustainability; we temper ambition with caution. This is the result of 75 years of lending experience which has taught us that whilst it is important to take advantage of market opportunities, as the recent expansion at Advantage has demonstrated, this has always been tempered by a conservative approach to underwriting, cost and collections.

Such a strategy very much suits the times in which we live. Although the British economy is undoubtedly recovering for the majority of the population, our customers included, real incomes are only beginning to improve and remain significantly below the level of 5 years ago. S&U will benefit from this improvement, by continuing to focus underwriting on people with full or part-time employment.

As the flow of credit and liquidity returns to a healthier economy, competition will undoubtedly intensify in our markets. Merger activity, from which Loansathome4U is already benefitting, is already evident in the home credit industry as more stringent regulation encourages

smaller concerns to sell up. In motor finance, a buoyant market will inevitably attract competition.

We are well placed to meet such competition in three ways; first, by the professionalism of our people and systems in overseeing the close and loyal relationships we have with our customers and motor finance brokers; second, by the sophistication, particularly in motor finance, of our bespoke under-writing systems which enable us to predict customer performance throughout the income and social scale; third, by our relatively small current market share.

2013 saw considerable changes in the regulatory landscape for our industry and 2014 will no doubt see more. The main change is the transfer of the regulation of consumer credit from the Office of Fair Trading ("OFT") and Financial Services Authority ("FSA") to the Financial Conduct Authority ("FCA"). The FCA will have a wider range of more flexible and extensive powers to ensure that customers are treated fairly and have recently published these rules - many of which are contained in CONC rules or the Consumer Credit Source Book.

Given the very long experience of S&U in home credit and the excellent relationships maintained by both our home credit division and Advantage Finance with our regulators, we do not anticipate major operational change. In particular in its detailed rules for consumer credit regulation released in February this year, the FCA has said that it will carry the principles of affordability and sustainability forward from the OFT's Irresponsible Lending guidance. These are principles with which we are very familiar.

In addition the FCA has recognised that the home credit industry provides a distinctive service to its customers. This is reflected in the FCA's rules. Our loans are small; the relationship between representative and customer is close, valued and flexible; there are no additional charges for default or late payment and the cost of credit is relatively small when related to the customers' financial circumstances. The OFT previously recognised our products and practices as simple and transparent, and, as such, likely to promote sustainable and responsible lending. We anticipate the FCA will follow the same approach.

Our strategy for good quality and consistent growth led to the purchase of Ambassador Finance in February 2014, serving the central belt of Scotland. We continue to seek acquisitions of comparable quality and size.

We plan further investment in I.T. for home credit to improve productivity, and customer service.

A2.2 Business Review

Operating Results

	Year Ended 31 January 2014 £m	Year Ended 31 January 2013 £m
Revenue	60.8	55.0
Cost of Sales	19.7	18.4
Gross Profit	41.1	36.6
Administrative Expenses	23.1	21.8
Operating Profit	18.0	14.8
Finance Costs (Net)	0.7	0.6
Profit before Taxation	17.3	14.2

The results for the 2014 year include 52 weeks of trading for the consumer credit business (2013:52 weeks) and 12 months (2013: 12 months) for the motor finance business.

Loansathome4U

- Profit before tax £5.8m (2013: £6.1m) – creditable performance given levels of consumer confidence and benefit changes
- Organic recruitment of 5,000 new customers
- Opened two new branches in Falkirk and Sunderland – further branches in Bridgend, Greenock and Liverpool opened in the new year
- Acquisition of Ambassador Finance, in February 2014, serving the central belt of Scotland
- Continued roll out of our Advantage4U pre-paid debit card

Our home credit division, trading as Loansathome4U, produced profit before tax this year of £5.8m (2013: £6.1m) a creditable result given lower levels of consumer confidence in the first three quarters of the year, and benefit changes which mainly impacted the first half.

The final quarter of the year, which included the peak Christmas trading period, saw an encouraging rise in sales over 2012, accompanied by the organic recruitment of over 5,000 new customers. Our customer quality has improved over the year, as witnessed by current levels of collections and arrears performance.

Good quality collections require us to be close to our customers and also to our representatives. For this reason we have opened two new branches in the year in Falkirk and Sunderland, and a further three, Bridgend, Greenock and Liverpool have been opened early in our new financial year.

We also continue to roll out our Advantage4U pre-paid debit card which we believe will prove increasingly popular for existing customers who want to purchase goods and services on-line. We plan further investment in I.T. for home credit to improve productivity and customer service.

HOME CREDIT CASE STUDY

Mrs L from Stoke

Mrs L has been a customer for over 20 years and has always valued the service provided by Loansathome4u and her relationship with her representative Neil.

Mrs L commented

“ I have required various loans at certain times of the year and I really value the service I get from my representative Neil who is always very friendly, polite and helpful. I am very satisfied with the way he handles my requests for new loans. Thank you for your service. Much appreciated. ”

A2. Business Model & Strategy continued

Advantage Finance

- Increased profit before tax by 42% to £11.5m (£8.1m in 2013)
- New loan transaction numbers increased by 38%
- Record net receivables of £79.3m (2013: £52.5m)
- Live customer numbers rose to 18,000
- New product range introduced contributing to record results and future expansion

Advantage Finance, our motor finance supplier, produced an excellent profit before tax of £11.5m against £8.1m in 2013, an increase of 42%. Transaction numbers increased by 38% and net receivables were a record £79.3m (2013: £52.5m) as live customer numbers rose to 18,000.

Whilst retaining Advantage's traditional clientele, our extended product range was successfully launched early in 2013 and further introducers were recruited, which contribute to these record results and form the bedrock for future expansion.

The payment performance of new customers is also improving, and collections measuring the quality of recent business and the whole book are at record levels.

Advantage's debt quality depends on its superb sales, collection and administrative teams and on its ability to analyse applicants and predict likely payment performance. These have been key factors in the improved collections and margins of recent years.

A2.3 Funding Review Treasury and Funding

Increased facilities of £15.0m were arranged in the year and we maintain excellent relationships with our banking partners. Group assets increased by over £20.0m to £110.0m from £89.0m last year. This increase, mainly in Advantage Finance, was funded by an additional £12.0m of bank borrowings. Current facilities give us substantial headroom against £32.0m of borrowing at year end.

Gearing has increased but remains a conservative 46.6% (2013: 33.7%).

While S&U has historically funded its business through equity and bank debt, other areas of funding remain under review including Corporate Retail Bonds and obtaining a deposit taking licence. We can report we have been in constructive discussions with the PRA and FCA regarding a possible application for a Deposit Taking Licence. Should we make an application and a licence be granted, the Group would have further scope to expand its lending organically, and into related areas of consumer and business finance.

A2.4 Principal Risks and Uncertainties

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 Group is also subject to legislative and regulatory change within the consumer credit sector including the transfer of regulatory oversight to the FCA on 1 April 2014 and this operational risk is managed through internal compliance procedures and close involvement with trade organisations such as the Consumer Credit Association and the Finance and Leasing Association. Other operational risks which the Group faces are the risks including reputational issues relating to process, system or personnel failure and the Group manages these risks by ensuring sufficient expert resources and recovery plans are in place. The Group is a nationwide retail lender and individual exposures are for small amounts to many individual borrowers so concentration risk is low although it is recognised that because the Group only operates in the UK and in two forms of lending (motor finance and home credit) there is an element of market concentration. 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. More detail of the Group's financial risk management policies is included in note 22.



MOTOR FINANCE CASE STUDY

Mr H from London



We decided to get finance to get a new car which, in the long run, saved us money. However, with the bad credit, that was going to be tough.

Then I found Advantage Finance. You guys were knowledgeable, sympathetic and very professional so I went for it and got the car of my dreams, a 3 series BMW. I made absolutely sure I never missed a payment and 2 years later I managed to pay it all off with a few months to spare.

I must say, I have never dealt with a more efficient and friendly finance company in my life. Fast, simple process backed up by true human sympathy and friendliness. You helped me when I really really needed it.

Thank you so much Advantage Finance, I take my hat off to you!



A3. Statement of 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 and borrowing facilities are set out in the financial statements and Strategic Report. The Group's objectives, policies and processes for managing its capital are described in the notes to the financial statements. Details of the Group's financial risk management objectives, its financial instruments; and its exposures to credit risk, market risk and liquidity risk are also set out 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.

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 both home credit and motor finance divisions.

The new FCA regulatory regime for consumer credit will undoubtedly reinforce the OFT’s traditional emphasis on treating customers fairly. All employees and representatives within the Group will be required to demonstrate appropriate knowledge and skills. Far from regarding the new regime as a hindrance to successful operations, we see it as an opportunity to formalise and deepen existing good practice towards our customers. Such practice will continue to permeate the Group at every level and on a day to day basis.

It goes without saying that a Group based on a family ethos has no truck with discrimination of any kind – except of course to differentiate on the basis of performance. People prosper and are promoted within S&U purely on merit.

For most people this is measured weekly, but 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 and this is promoted by our very “flat” management structure.

A4.2 Community

S&U does not exist in a vacuum. Our success, particularly in home credit, depends upon our understanding and interacting with the communities we serve.

Our immediate communities of course are customers. We have well established policies for any who may wish to complain, routed to our Compliance Department in Grimsby and Solihull. Our records demonstrate we enjoy high levels of customer satisfaction and success in helping customers who have a complaint to make. For instance in the Group as a whole last year, only 79 complaints were dealt with by the Financial Ombudsman and 68 were decided in the Group’s favour – of these 6 complaints were for HCC and settled in the Company’s favour.

S&U supports its wider community through charitable giving and activities relating to fundraising. During the year the Group gave over £35,000 in charitable contributions, most of it through the recently formed Keith Coombs Trust. The Trust, which Anthony Coombs chairs, but which has a Board of independent trustees, mainly gives to charities helping children, particularly 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 around ten other like charities. Also, a number of staff made valiant fundraising efforts on behalf of the Marie Curie appeal to build a magnificent new hospice in Solihull. Bike riding appears to be a favourite pursuit to this end, although regular dress down days and cake baking feature strongly!

The Group also makes financial contributions in the artistic and cultural fields. In 2013 it sponsored the Birmingham Royal Ballet and innovative new theatrical productions at The Almeida and Royal Court Theatres.

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 make sure that their staff are aware of how they can promote their personal safety. Happily, instances involving aggression to our representatives are extremely rare and are always reported to the police.

S&U is engaged in the motor and consumer finance fields and therefore its overall environmental impact is considered to be low. The main area of environmental impact is made by its team as they drive about their daily business. We encourage the use of environmentally friendly vehicles and indeed the Company’s Car Purchase Policy has reflected this in the past few years. In the last year, of 31 of cars purchased, 23 met the highest level emission standards.

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 2013 to 31 January 2014.

Greenhouse gas emissions data

For period 1 February 2013 to 31 January 2014

	Tonnes CO ₂
Scope 1 (Direct emissions)	
Combustion of fuel – Petrol & diesel used by company cars (46% of our fleet is 115g/km or lower)	843
Gas consumption	19
Air conditioning systems	44
Scope 2 (Energy indirect emissions)	
Purchased electricity	190
Total scope 1 and 2	1096
Scope 3 (Other indirect emissions)	
Water consumption	2
Total scope 1, 2 and 3	1098
Company’s chosen intensity measurement:	
Normalised tonnes scope 1, 2 and 3 CO ₂ e per £m turnover	18.1

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 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 DEFRA.

We have also utilised DEFRA'S 2013 conversion factors within our reporting methodology.

The current year data forms the baseline data for subsequent periods. In order to express our annual emissions in absolute and relative terms, we have used turnover as our intensity ratio as this is the most relevant indication of our growth. Normalised data is based on a total turnover of £60.8m.

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 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
24 March 2014

B1. Board of Directors

EXECUTIVE DIRECTORS



Anthony Coombs MA (Oxon)
(Chairman) (Nominations Committee)

Joined S&U in 1975 and was appointed Managing Director in 1999 and then Chairman in 2008. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. Serves on the Executive of the Consumer Credit Association and chairs its Public Relations Committee and is a director and trustee of a number of companies and charities.



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

Joined S&U after graduating from London Business School in 1976. He was appointed Deputy Chairman in 2008.



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)

Guy joined the Group in 1999 as Managing Director of Advantage Finance and has overseen an excellent performance in their first 14 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.



Mike Mullins
(Managing Director)

Mike joined S&U in 1997 and started out as an agent in the then Newton Abbot branch covering Torbay and after 9 months took over as branch manager of the same branch. He then moved through the ranks of management and in September 2009 assumed overall control of our Group Home Credit operations.



Mike Thompson DMS FloD
(Managing Director)

First joined the Group in 1985 as an SD Taylor representative in the Warrington and Widnes areas and has had wide Home Credit experience with Provident and Shopacheck. Rejoined the Group as a manager in 1994, and was appointed SD Taylor Managing Director in 2000. Since then, Mike has successfully overseen significant growth in our northern Home Credit operation.

NON-EXECUTIVE DIRECTORS



Demetrios Markou MBE FCA
(Non-executive)
(Nominations, Audit and Remuneration Committees)

A Chartered Accountant with over 35 years experience in public practice in Birmingham and director of many private companies. He has extensive commercial and political experience.



Keith Smith TD FCIM
(Non-executive)
(Nominations, Audit and Remuneration Committees)

A former member of the London Stock Exchange and Fellow of the Securities Institute, he has been a principal in stockbroking firms for more than 30 years, specialising in corporate finance. He is the senior independent director.



Lady Katherine Innes Ker MA DPhil
(Non-executive)
(Nominations, Audit and Remuneration Committees)

Katherine joined the Board of S&U in May 2013 and is also senior independent director of the Go-Ahead Group plc and of Tribal Group plc and chairs the Remuneration Committee of both Boards and is a non-executive director of Colt Group S.A. and a member of the Remuneration and Audit Committees. Katherine spent a decade working in the City as a financial analyst and has held many previous non-executive directorships and is currently a member of the Management Board at the University of Oxford Institute for Human Rights.



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.

PROFESSIONAL ADVISERS

Secretary

M K Bhogal ACMA CGMA
Appointed 3 February 2014.

Registered Office

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Tel: 0121 705 7777

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Birmingham
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Solicitors

DLA
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Birmingham
B2 4DL

Registrars

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0871 664 0300 (calls cost 10p
per minute plus network costs).

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Chartered Accountant and
Statutory Auditor
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B2. Directors' Remuneration Report

B2 REPORT OF THE BOARD TO THE SHAREHOLDERS ON REMUNERATION POLICY

1. ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2014. It sets out the remuneration policy and remuneration details for the executive and non-executive directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013.

To reflect the requirements of the revised remuneration reporting regulations this Report is presented in three sections:

1. Annual Statement by the Chair of the Remuneration Committee

This section summarises the major decisions and changes on directors' remuneration during the year ending 31 January 2014 and the context in which those decisions and changes were made.

2. Remuneration Policy Report

This section covers the Company's forward looking Remuneration Policy. It will be subject to a binding vote at the Annual General Meeting (AGM) on 20 May 2014.

3. Annual Remuneration Report

This section provides details of the amounts earned in respect of the year ended 31 January 2014 and how the Remuneration Policy will be operated for the year commencing 1 February 2015. This is subject to an advisory vote at the 2014 AGM.

The Companies Act 2006 requires the auditor to report to the Shareholders on certain indicated parts of the Annual Remuneration Report (section 3) and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Regulations. The Annual Statement and the Remuneration Policy Report are not subject to audit.

2013/14 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 Company and personal performance, retention focussed and appropriate for the Company, its Shareholders and the directors.

During the year the Remuneration Committee conducted a review of the Remuneration Policy and the extent to which it continues to be aligned with the Company's business strategy and consulted with major Shareholders not represented on the S&U plc Board. The Remuneration Committee also reviewed the previous remuneration outcomes against Company performance and considered best practice and remuneration trends within both the Company and the wider financial services industry. The Remuneration Committee concluded after studying remuneration trends in comparable sized companies as well as the Company's direct competitors that there exists a shortfall in executive pay compared to the industry. The Remuneration Committee resolved to make appropriate increases for the years ending 31 January 2014 and 31 January 2015 to move base salaries to a level which is market competitive. Historically, the executive directors have received a directors' fee in addition to a base salary. With effect from 1 February 2014, the directors' fee has been incorporated into base salaries for the executive directors. Non-executive directors will continue to receive the directors' fee in line with the market.

In light of the above, for the year ending 31 January 2014, base salary increases for the executive directors were in the range 0% – 5% for Anthony Coombs, Graham Coombs, Mike Mullins and Mike Thompson which was in line with the range of salary increases across the Company. A 10% base salary increase was awarded to Guy Thompson and a 9% increase was awarded to Chris Redford to reflect their performance, experience and contribution to the Group and that their base salaries are below market positioning.

As described in the business review section of this Annual Report, the Company has achieved record profits of £17.3m (2013: £14.2m) spearheaded by Advantage Finance, our motor finance lender which now contributes around two thirds of Group profit. Consequently, annual bonuses of between £5,000 and £60,000 were earned by the executive directors for achieving the profit before tax ("PBT") targets.

At the AGM on 24 May 2013, Shareholders approved an amendment to the rules of the S&U plc 2010 Long Term Incentive Plan ("LTIP") to allow a long term exceptional award to Guy Thompson, Managing Director of Advantage Finance Limited, over 65,000 shares subject to the achievement of rigorous performance conditions for the financial years ending 31 January 2014 to 31 January 2018 based on the audited number of new motor finance contracts and the audited PBT in respect of these financial years. 20% of these LTIP options can vest each year. For the year ended 31 January 2014 the performance targets for 13,000 shares subject to this LTIP option were met and the performance targets for 5,000 shares subject to the LTIP options granted on 3 October 2012 were met. 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 2014 is shown in the single figure of remuneration on page 23 based on the three month average share price to 31 January 2014 less the exercise price payable.

During the year ending 31 January 2014, Chris Redford, Mike Mullins and Mike Thompson were also granted options under the LTIP and the S&U plc Share Option Plan 2008 ("DSOP") subject to the achievement of Group or divisional PBT performance conditions for the year ending 31 January 2014. For the year ending 31 January 2014, LTIP options over 18,000 shares and DSOP options over 1,500 shares granted to Chris Redford during the year to 31 January 2014 vested in full as the Group PBT target of £16.8m for the year was exceeded. Although both these options are also subject to continued employment until the third anniversary of the date of grant, the value of the shares vesting by reference to performance to 31 January 2014 is shown in the single figure of remuneration on page 23 based on the three month average share price to 31 January 2014 less the exercise price payable. The divisional PBT performance targets for the LTIP and DSOP options granted to Mike Mullins and Mike Thompson during the year to 31 January 2014 were not met therefore these options lapsed in full.

Further details regarding base salary increases, bonus payments and the grant and vesting of LTIP and DSOP options made to the executive directors are set out in the Annual Report on Remuneration.

Key remuneration decisions for the year ending 31 January 2015

The fundamental structure of the package remains unchanged. For the year ending 2015:-

- Base salary increases for executive directors were in the range of 2% – 5% for Anthony Coombs, Graham Coombs and Mike Mullins which was in line with the range of salary increases across the Company. A 17% base salary increase was awarded to Guy Thompson, 12% increase was awarded to Chris Redford and a 7% increase was awarded to Mike Thompson to reflect their performance, experience and contribution to the Company and that their base salaries are below market positioning.
- The maximum annual bonus opportunity is £50,000 for Anthony Coombs and Graham Coombs; £40,000 for Mike Mullins and Mike Thompson; £60,000 for Chris Redford and £75,000 for Guy Thompson. The annual bonus will continue to be assessed against stretching Group or divisional PBT targets.*
- The Remuneration Committee has resolved to grant the following LTIP options to the executive directors:

Executive director	Number of shares subject to LTIP options	PBT performance targets for the year ending 31 January 2015*	Performance period
Chris Redford	2,000	Group PBT target	Financial year to 31 January 2015
Guy Thompson	2,500	Advantage Finance PBT target	
Mike Mullins	2,000	S&U Home Credit PBT target	
Mike Thompson	2,000	S D Taylor Home Credit PBT target	

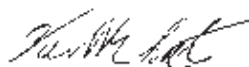
* The Remuneration Committee considers that the Group and divisional PBT targets for both the annual bonus and LTIP are commercially sensitive and should therefore remain confidential to the Company. They provide our competitors with insight into our business plans, expectations and our strategic actions.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

The above awards will vest subject to (in addition to the above performance conditions) continued employment for the three year period from the date of grant

No further LTIP options will be granted to the executive directors during the year to 31 January 2015.

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 Report and the Annual Remuneration Report at the Company's AGM on 20 May 2014.



Keith Smith

Chairman of the Remuneration Committee
24 March 2014

B2. Directors' Remuneration Report continued

2. REMUNERATION POLICY REPORT

This section sets out the Remuneration Policy which, subject to approval by Shareholders at the AGM, shall take binding effect from the date of the AGM on 20 May 2014. The Remuneration Policy is determined by the Remuneration Committee.

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

Component	Purpose	Operation	Opportunity	Performance Measures
Base salary	<p>To help recruit and retain executive directors.</p> <p>To provide the core element of fixed remuneration, which reflects the director's experience and the size and scope of the role.</p>	<p>Normally reviewed annually and fixed for 12 months, but may be reviewed more frequently in cases where an individual changes position or responsibility.</p> <p>Salaries are determined by the Remuneration Committee, who will take into account a range of factors, including, but not limited to:</p> <ul style="list-style-type: none"> • 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. 	<p>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 2014 are shown on page 25.</p> <p>The Remuneration Committee has resolved to move base salaries progressively to a level which is market competitive taking account of individual factors such as:</p> <ul style="list-style-type: none"> • Increased individual responsibilities; • Performance in role; • An new executive director being moved to market positioning over time; • Remuneration trends within the financial services industry; • Alignment to market level. 	N/A
Benefits	<p>To provide cost-effective benefits to help recruit and retain executive directors, through ensuring a competitive overall remuneration package.</p>	<p>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.</p> <p>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.</p>	<p>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.</p>	N/A
Annual Bonuses	<p>To reward executive directors for the achievement of the annual financial and individual targets.</p> <p>Provide alignment with Shareholders' interests.</p>	<p>Targets are set annually and any pay-out is determined by the Remuneration Committee after the period-end, based on performance against those targets.</p> <p>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.</p>	Up to 60% of base salary	<p>Targets are set annually, reflecting the Group's strategy and alignment with key financial, strategic and/or individual objectives.</p> <p>Targets, whilst stretching, do not encourage inappropriate business risks to be taken.</p> <p>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.</p> <p>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.</p>

Component	Purpose	Operation	Opportunity	Performance Measures
Share Option Plan (DSOP) 2008	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.	<p>The DSOP was approved by Shareholders at the 2008 AGM.</p> <p>The DSOP can be operated as both an HMRC tax approved scheme and as an unapproved scheme.</p> <p>The Remuneration Committee may grant options to acquire shares in the Company with an exercise price not less than the closing middle market quotation for a share for the dealing day immediately preceding the date the option is to be granted or, if the Remuneration Committee so determines, the average of such quotations for the three dealing days (or such other number of dealing days as the Remuneration Committee decides) immediately preceding the date the option is to be granted.</p> <p>Vesting of options is dependent on the achievement of such performance conditions as the Remuneration Committee determines, measured over a minimum period of one year. Options will normally become exercisable three years from date of grant subject to satisfaction of the performance conditions and the continued employment of the participant by the Group.</p> <p>Options vest early on a change of control (or other relevant event) unless the Remuneration Committee determines otherwise.</p> <p>As described on page 20 DSOP options may also vest early in "good leaver" circumstances.</p>	<p>The DSOP allows for the grant of options over shares worth up to 25% of base salary in any plan year. In exceptional circumstances, the Remuneration Committee may grant higher awards of up to 50% of base salary in any plan year.</p> <p>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.</p>	<p>The vesting of DSOP options is subject to the satisfaction of performance targets set by the Remuneration Committee.</p> <p>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.</p> <p>The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities.</p> <p>Vesting of DSOP 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.</p> <p>The Remuneration Committee does not intend to grant any DSOP options to executive directors in the year ending 31 January 2015.</p>

B2. Directors' Remuneration Report continued

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.	<p>The LTIP was approved by Shareholders at the 2010 AGM.</p> <p>The Remuneration Committee may grant nil-priced or nominal-priced options to acquire shares in the Company.</p> <p>Vesting of options is dependent on the achievement of such performance conditions as the Remuneration Committee determines, measured over a minimum period of one year. Options will normally become exercisable three years from date of grant subject to satisfaction of the performance conditions and the continued employment of the participant by the Group.</p> <p>LTIP 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.</p> <p>As described on page 20 LTIP awards may also vest early in "good leaver" circumstances.</p>	<p>The LTIP allows for the grant of options over shares worth up to 50% of base salary in any plan year.</p> <p>The DSOP and LTIP are run in parallel, and the Remuneration Committee may grant awards under both in any year. The maximum opportunity across both schemes is limited to 100% of base salary in any plan year. In exceptional circumstances, the Remuneration Committee may grant higher awards of up to 150% of base salary in any plan year.</p> <p>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.</p>	<p>The vesting of LTIP options is subject to the satisfaction of performance targets set by the Remuneration Committee.</p> <p>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.</p> <p>The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities.</p> <p>Vesting of LTIP 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.</p> <p>For the year ending 31 January 2015, vesting of LTIP options will be based on Group or divisional PBT targets for the year ending 31 January 2015. If the PBT target is satisfied the option will vest in full on the third anniversary of the date of grant subject to continued employment.</p>
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	<p>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.</p> <p>Directors may be entitled to benefits such as the use of secretarial support, travel costs, or other benefits that may be appropriate.</p>	<p>The fee is set as a fixed annual fee.</p> <p>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.</p>

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 and DSOP schemes.

Options under the DSOP and 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 DSOP 2008 and 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 210% of salary. 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 would ensure that awards within the 210% 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.

B2. Directors' Remuneration Report continued

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.

Payments for loss of office

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

	Policy
Termination payment	<p>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).</p> <p>Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.</p>
Vesting of incentives for leavers	<p>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.</p> <p>The vesting of share-based awards is governed by the rules of the relevant incentive plans, as approved by Shareholders.</p> <p>Under the LTIP and DSOP 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.</p> <p>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.</p> <p>Under the DSOP, any "good leaver" awards will vest and become exercisable at the date of cessation of employment.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Where a buy-out award is made under the listing rules then the leaver provisions would be determined at the time of the award.</p>
Mitigation	<p>The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment.</p>

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 2014.

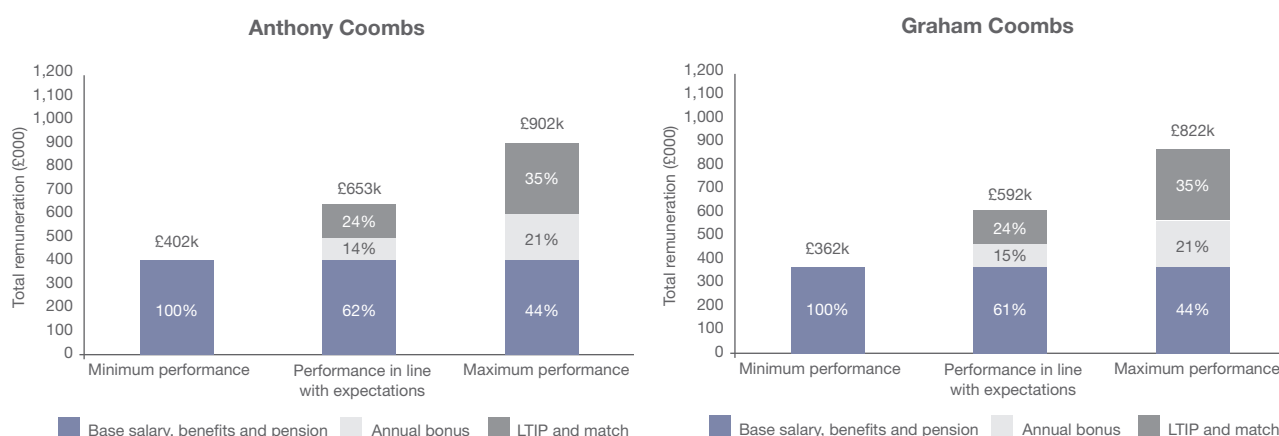
For these purposes base salary is the latest known salary as at 1 February 2014 and benefits is as disclosed in the single figure table on page 23 for the year ending 31 January 2014. Pension is based on the policy set out in the future policy table (i.e. a maximum contribution of 20% of base salary) and base salary effective at 1 February 2014.

Three scenarios have been illustrated for each executive director:

Minimum performance	<ul style="list-style-type: none"> – No bonus pay-out – No vesting under the DSOP or LTIP
Performance in line with expectations	<ul style="list-style-type: none"> – Bonus: 30% of salary – LTIP: 50% of salary (no DSOP)
Maximum performance	<ul style="list-style-type: none"> – Bonus: 60% of salary – LTIP: 100% of salary (no DSOP)

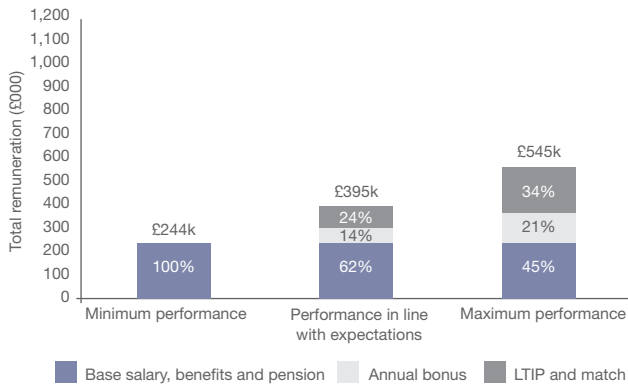
As required by the regulations, the scenarios do not include any share price growth assumptions or take into account any dividends that may be paid.

It should be noted that these charts are based on the potential annual bonus and long term incentive opportunities detailed in the Remuneration Policy table. The actual annual bonus, LTIP and DSOP opportunities for the year ending 31 January 2014 and 31 January 2015 are detailed in the Annual Remuneration Report.

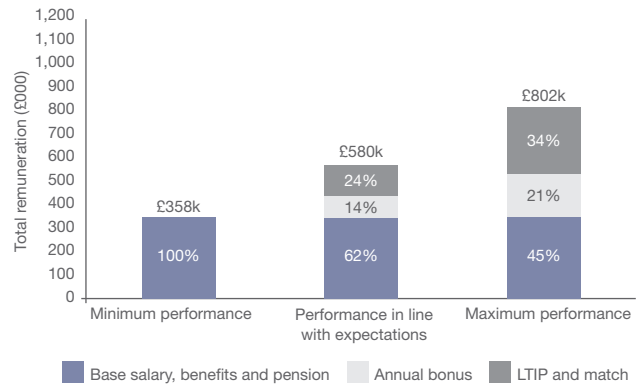


B2. Directors' Remuneration Report continued

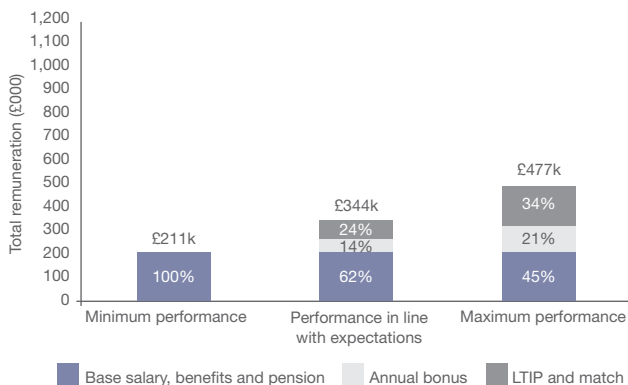
Chris Redford



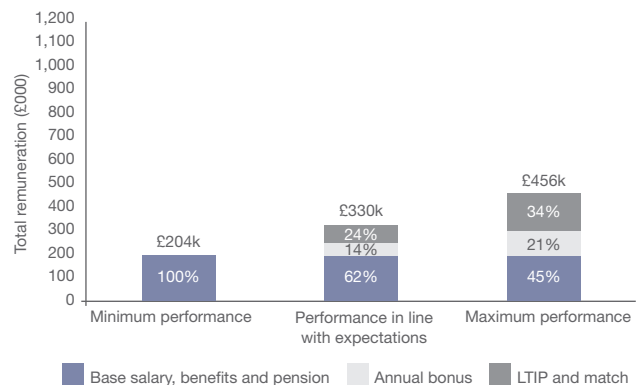
Guy Thompson



Mike Mullins



Mike Thompson



Existing contractual arrangements

The Remuneration Committee retains discretion to make any remuneration payments and payments for loss of office outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a director of the Company; or
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, the term “payments” includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed 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.

3. Annual Remuneration Report

This section covers how the remuneration policy was implemented in the year ending 31 January 2014. Certain elements of the Annual Remuneration Report are subject to audit and this has been highlighted at the start of each section.

Remuneration Committee

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 Lady K Innes Ker, Mr D Markou and Mr K Smith, who are all independent non-executive directors. Biographical details of these directors are set out on pages 12 and 13. The Remuneration Committee is chaired by Mr K Smith.

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 company performance;
- the need for an uncomplicated link between executive director performance and rewards;
- the need for the correct mixes of fixed and variable rewards and short term and long term rewards for executive directors;
- 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 in connection with the amendments required to the rules of the S&U plc 2010 Long Term Incentive Plan to allow for the grant of an exceptional, one-off award to Mr JG Thompson on 24 May 2013 and advice on the new 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. Deloitte LLP's fees for providing advice to the Company during the year were charged on a time and materials basis and were £4,850. The Remuneration Committee is satisfied that all advice received was objective and independent.

Single Figure Tables

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 2014

	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	61	304	26	—	40	—	370
GDC Coombs	61	275	17	47	40	—	379
CH Redford	49	168	19	24	30	287	528
JG Thompson	58	238	24	31	60	280	633
MJ Mullins	56	163	12	16	5	—	196
MJ Thompson	50	143	14	14	15	—	186
Non-executive directors							
KR Smith	75	31					31
D Markou	70	28					28
K Innes Ker	54	19					19
F Coombs	45	28					28
Total		1,397	112	132	190	567	2,398

B2. Directors' Remuneration Report continued

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 2013.

	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	304	8	7	20	106	445
GDC Coombs	275	3	44	20	106	448
CH Redford	154	20	22	12	34	242
JG Thompson	217	23	124	50	134	548
MJ Mullins	157	9	15	5	—	186
MJ Thompson	137	9	10	5	—	161
Non executive directors						
KR Smith	30	—	—	—	—	30
D Markou	25	—	—	—	—	25
K Innes Ker	—	—	—	—	—	—
F Coombs	27	—	—	—	—	27
Total	1,326	72	222	112	380	2,112

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 25.

Share incentive plans (DSOP/LTIP) For the year ended 31 January 2014, the value of options vesting under the share incentive plans has been calculated as follows:

CH Redford: LTIP options over 18,000 shares and the DSOP options over 1,500 shares granted during the year to 31 January 2014 vested in full as the Group PBT target of £16.8m for the year was achieved. Although both these options are also subject to continued employment until the third anniversary of the date of grant, the value of the shares vesting by reference to performance to 31 January 2014 is shown above based on the three month average share price to 31 January 2014 less the exercise price payable.

JG Thompson: 20% of the 65,000 LTIP options granted on 24 May 2013 (i.e. 13,000 shares) vested in respect of performance to 31 January 2014. In addition, 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 2014. 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 2014 is shown above based on the three month average share price to 31 January 2014 less the exercise price payable.

For the year ended 31 January 2013 comparative figures the value of options vesting under the share incentive plans has been calculated as follows:

AMV Coombs and GDC Coombs: LTIP options over 12,000 shares vested in full in respect of performance to 31 January 2013. Although these options are also subject to continued employment until the third anniversary of the date of grant, the value of the shares vesting by reference to performance to 31 January 2013 is shown above based on the three month average share price to 31 January 2013 less the exercise price payable.

CH Redford: LTIP options over 3,850 shares vested in respect of performance to 31 January 2013. Although this option is also subject to continued employment until the third anniversary of the date of grant, the value of the shares vesting by reference to performance to 31 January 2013 is shown above based on the three month average share price to 31 January 2013 less the exercise price payable.

JG Thompson: LTIP options over 14,500 shares and DSOP options over 3,000 shares vested in respect of performance to 31 January 2013. Although these options are also subject to continued employment until the third anniversary of the date of grant, the value of the shares vesting by reference to performance to 31 January 2013 is shown above based on the three month average share price to 31 January 2013 less the exercise price payable.

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 2015).

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. Historically, the executive directors have received directors' fee in addition to base salary. With effect from 1 February 2014, the directors' fee has been incorporated into base salaries for the executive directors. Non-executive directors will continue to receive the directors' fee in line with the market.

The Remuneration Committee concluded after studying remuneration trends in comparable sized companies as well as the Company's direct competitors that there exists a shortfall in executive pay compared to the industry. The Remuneration Committee resolved to make appropriate increases in the years ending 31 January 2014 and 31 January 2015 to move base salaries to a level which is market competitive.

In light of the above, for the year ending 31 January 2014, base salary increases for the executive directors were in the range of 0% – 5% for Anthony Coombs, Graham Coombs, Mike Mullins and Mike Thompson which was in line with the range of salary increases across the Company. An 11% base salary increase was awarded to Guy Thompson and a 10% increase was awarded to Chris Redford to reflect their performance, experience and contribution to the Group and that their base salaries are below market positioning.

As shown in the table below, for the year ending 2015 base salary increases for executive directors were in the range of 2% – 5% for Anthony Coombs, Graham Coombs and Mike Mullins which was in line with the range of salary increases across the Company. A 17% base salary increase was awarded to Guy Thompson, a 12% increase was awarded to Chris Redford and a 7% increase to Mike Thompson to reflect their performance, experience and contribution to the Company and that their base salaries are below market positioning.

Executive director	Base salary for year to 31 January 2014 £000	Base salary for year to 31 January 2015 £000	Increase %
AMV Coombs	304	313	3.0%
GDC Coombs	276	288	4.3%
CH Redford	168	188	11.9%
JG Thompson	238	278	16.8%
MJ Mullins	163	166	1.8%
MJ Thompson	143	153	6.9%

The remuneration policy for non-executive directors is determined by the Board. Fees were reviewed in 2013 and 2014 and reflect the responsibilities and duties placed upon non-executive directors whilst also having regard to market practice. 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	2012/13	2013/14	2014/15
Basic fee	£27,000	£28,000	£29,000
Additional fee for — Senior independent non-executive director	£3,000	£3,000	£3,000

Annual bonus

For the year ending 31 January 2014, 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 2014 together with the Group PBT targets and details of the actual bonus earned.

Performance targets*	Maximum bonus opportunity year ending 31 January 2014	Bonus pay-out % of maximum (actual PBT)	Actual bonus earned for the year ending 31 January 2014	
AMV Coombs	£40,000	100% (£17.3m Group PBT achieved)	£40,000	
GDC Coombs	£40,000		£40,000	
CH Redford	£30,000		£30,000	
JG Thompson	Advantage Finance PBT target	£60,000	100%	£60,000
MJ Mullins	S&U Home Credit PBT target	£30,000	17%	£5,000
MJ Thompson	S D Taylor Home Credit PBT target	£30,000	50%	£15,000

* 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 Company'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. 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.

B2. Directors' Remuneration Report continued

Annual bonus in 2014/15

For the year ending 2015, the maximum annual bonus opportunity is £50,000 for Anthony Coombs and Graham Coombs; £40,000 for Mike Mullins and Mike Thompson; £60,000 for Chris Redford and £75,000 for Guy Thompson. 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) 2008

Awards granted during the period

The table below sets out the LTIP options granted to the executive directors during the year:

	Date of grant	Maximum opportunity (% salary)*	Number of options	Face value at grant, £	% of award vesting at threshold	Performance period
Chris Redford	02/05/13	41%	6,000	69,600	Full vesting once the PBT performance target for the financial year is satisfied	Financial year to 31 January 2014
	21/06/13	48%	7,000	79,800		
	27/09/13	42%	5,000	70,200		
Mike Mullins	02/05/13	43%	6,000	69,600	20% vest once the PBT performance target for the financial year is satisfied	20% of these options vest each year over the period 31 January 2014 to 31 January 2018
Mike Thompson	02/05/13	41%	5,000	58,000		
Guy Thompson	24/05/13	345%	65,000	822,250		

* Based on share price at the date of grant.

All LTIP awards had an exercise price of £0.125.

The performance period for these awards is the year to 31 January 2014 (other than for Guy Thompson, as described below) and the performance conditions were as follows:

- Chris Redford's award was based on the achievement of a Group PBT of £17.3m for the year ended 31 January 2014.
- Mike Mullins' award was based on the achievement of a PBT target for S&U Home Credit for the year ended 31 January 2014.
- Mike Thompson's award was based on the achievement of a PBT target for S D Taylor Home Credit for the year ended 31 January 2014.

Other than the LTIP award to Guy Thompson, all the above awards will vest subject to (in addition to the above performance conditions) continued employment for the three year period from the date of grant.

At the AGM on 24th May 2013, Shareholders approved an amendment to the rules of the S&U plc 2010 Long Term Incentive Plan ("LTIP") to allow a long term exceptional award to Guy Thompson Managing Director of Advantage Finance Limited over 65,000 shares subject to the achievement of rigorous performance conditions for the financial years ended 31 January 2014 to 31 January 2018 based on the audited number of new motor finance contracts and the audited PBT in respect of those periods. These options will vest subject to (in addition to the above performance conditions) continued employment until 29 August 2018.

The table below sets out the DSOP options granted to the executive directors during the year:-

	Date of grant	Maximum opportunity (% salary)*	Number of options	Face value at grant, £	% of award vesting at threshold	Performance period
Chris Redford	02/05/13	10%	1,500	17,400	Full vesting once the PBT performance target for the financial year is satisfied	Financial year to 31 January 2014
Mike Mullins	02/05/13	9%	1,200	13,920		
Mike Thompson	02/05/13	10%	1,200	13,920		

*Based on share price at the date of grant.

DSOP awards had an exercise price of £11.60.

The performance period for these DSOP awards is the year to 31 January 2014 and the performance conditions were as follows:

- Chris Redford's LTIP and DSOP awards were based on the achievement of a Group PBT of £16.8m for the year ended 31 January 2014.
- Mike Mullins' LTIP and DSOP awards were based on the achievement of a PBT for S&U Home Credit for the year ended 31 January 2014.
- Mike Thompson's LTIP and DSOP awards were based on the achievement of a PBT for S D Taylor Home Credit for the year ended 31 January 2014.

All the above awards will vest subject to (in addition to the above performance conditions) continued employment for the three year period to the date of grant.

Awards vesting based on performance in respect the year ended 31 January 2014

For the year ending 31 January 2014:-

- the LTIP options over 18,000 shares and the DSOP options over 1,500 shares granted to Chris Redford during the year to 31 January 2014 vested in full as the Group PBT target of £16.8m for the year was achieved.
- the divisional PBT performance targets for the LTIP and DSOP options granted to Mike Mullins and Mike Thompson during the year to 31 January 2014 were not met therefore these options lapsed in full.
- 20% of the LTIP options granted to Guy Thompson on 24 May 2013 (i.e. 13,000 shares) and 5,000 shares subject to the LTIP options granted on 3 October 2012 vested as the PBT and new motor finance contracts targets for Advantage Finance were achieved.

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

LTIP awards for 2014/15

The Remuneration Committee has resolved to grant the following LTIP options to the executive directors:

Executive Director	Number of shares subject to LTIP options	PBT performance targets for the year ending 31 January 2015*	Performance period
Chris Redford	2,000	Group PBT target	Financial year to 31 January 2015
Guy Thompson	2,500	Advantage Finance PBT target	
Mike Mullins	2,000	S&U Home Credit PBT target	
Mike Thompson	2,000	S D Taylor Home Credit PBT target	

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

The above awards will vest subject to (in addition to the above performance conditions) continued employment for the three year period from the date of grant.

No further LTIP options will be granted during the year to 31 January 2015.

Total pension entitlements (this section is subject to audit)

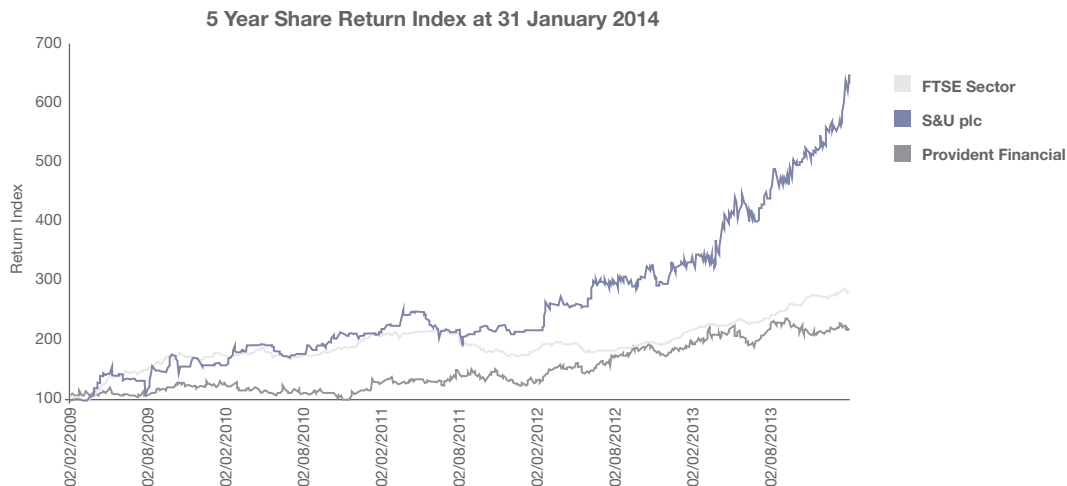
The Group makes contributions into a defined contribution scheme on behalf of GDC Coombs, JG Thompson, MJ Mullins, MJ Thompson, and CH Redford. None of the directors has accrued benefits under the defined benefit scheme.

Director	Defined contribution £000	Percentage of Salary %
GDC Coombs	47	17
CH Redford	24	14.5
JG Thompson	31	13
MJ Mullins	16	10
MJ Thompson	14	10

B2. Directors' Remuneration Report continued

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

The following graph shows the Company's Shareholder Return performance, compared with the performance of the FTSE Sector Index, over the past five years. The performance has also been benchmarked against Provident Financial, a leading competitor. These comparators have been selected since they illustrate S&U's relative performance within their sector.



Executive Chairman Remuneration for previous five 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)
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)

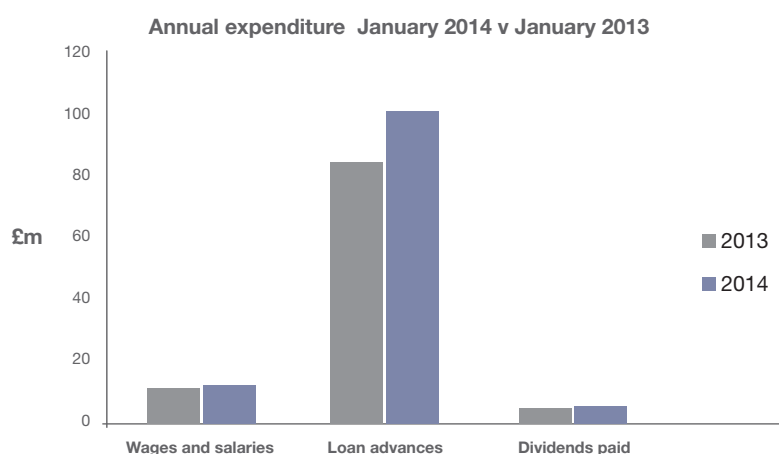
The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for Anthony Coombs compared to the wider workforce.

Element	Executive Chairman	Wider Workforce
Base salary	0.3%	4%
Allowances and benefits	0%	n/a
Bonus	100%*	8%

* Anthony Coombs received a bonus of £20,000 for the year ending 31 January 2013 and a bonus of £40,000 for the year ending 31 January 2014.

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 2014 and 31 January 2013. Given the nature of the Group's business, the other significant outflows for the Group are loan advances and dividends payable.



Payments to past directors (this section is not subject to audit)

During the year, by order of the Board and in view of his 50 year service to the Company without company pension contribution, the former Chairman Mr DM Coombs received a discretionary payment for the year of £120,000 (2013: £120,000).

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 2014.

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 director as at 31 January 2014.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2014
AMV Coombs	Shares	1,453,427				1,453,427
	LTIP			15,000	10,000	25,000
	DSOP					—
GDC Coombs	Shares	1,531,867				1,531,867
	LTIP			15,000	10,000	25,000
	DSOP					—
CH Redford	Shares	5,095				5,095
	LTIP			21,500		21,500
	DSOP			1,500		1,500
JG Thompson	Shares	—				—
	LTIP		72,000	33,000		105,000
	DSOP			3,000		3,000
MJ Mullins	Shares	—				—
	LTIP			4,000		4,000
	DSOP					—
MJ Thompson	Shares	—				—
	LTIP			2,500		2,500
	DSOP					—
Non-executive directors						
KR Smith	Shares	26,600				26,600
D Markou	Shares	4,500				4,500
K Innes Ker	Shares	—				—
F Coombs	Shares	33,550				33,550

B2. Directors' Remuneration Report continued

LTIP option awards outstanding and issued in the year (this section is not subject to audit)

Date of Event	Anthony Coombs	Graham Coombs	Chris Redford	Guy Thompson	Mike Mullins	Mike Thompson	Earliest Vesting Date	Expiry Date
24.5.10 Award	10,000	10,000	5,500	10,000	1,500	0	24.5.13	24.5.20
24.9.10 Award	0	0	2,500	37,500	0	0	24.9.13	24.9.20
27.5.11 Award	10,000	10,000	3,500	7,500	4,000	2,500	27.5.14	27.5.21
4.5.2012 Award	5,000	5,000	0	7,500	0	0	4.5.15	4.5.22
3.10.12 Award	0	0	0	25,000	0	0	29.8.18	3.10.22
As at 1.2.13	25,000	25,000	11,500	87,500	5,500	2,500		
2.5.13 Award	0	0	6,000	0	6,000	5,000	2.5.16	2.5.23
24.5.13 Award	0	0	0	65,000	0	0	29.8.18	24.5.23
21.6.13 Award	0	0	7,000	0	0	0	21.6.16	21.6.23
27.9.13 Award	0	0	5,000	0	0	0	27.9.16	27.9.23
18.6.13 Exercise	0	0	0	(10,000)	0	0		
27.9.13 Exercise	0	0	(8,000)	(37,500)	(1,500)	0		
31.1.14 Lapsed	0	0	0	0	(6,000)	(5,000)		
As at 31.1.14	25,000	25,000	21,500	105,000	4,000	2,500		

The exercise price of all LTIP options is the nominal ordinary share value of 12.5p.

The share prices on the dates of exercise were; 18.6.13 1,185p and 27.9.13 1,415p.

The awards made on 2.5.13, 21.6.13 and 27.9.13 were based on rigorous targets for year ending 31.1.14; not all these targets were met and two awards lapsed at the end of the year.

The award made on 24.5.13 which was approved at the AGM on that date is based on rigorous targets for each of the five financial years ending 31.1.14, 31.1.15, 31.1.16, 31.1.17 and 31.1.18.

The value of the options awarded during the year where the annual targets were met is shown in the remuneration table for year ending 31.1.14 for each director.

DSOP option awards outstanding and issued in the year (this section is not subject to audit)

Date of Event	Chris Redford	Guy Thompson	Mike Mullins	Mike Thompson	Earliest Vesting Date	Expiry Date
24.5.10 Award	1,995	202	2,500	0	24.5.13	24.5.20
24.5.12 Award	0	3000	0	0	29.8.18	3.10.22
As at 1.2.13	1,995	3202	2,500	0		
2.5.13 Award	1,500	0	1,200	1,200	2.5.16	2.5.23
18.6.13 Exercise	(1,995)	(202)	(2,500)	0		
31.1.14 Lapsed	0	0	(1,200)	(1,200)		
As at 31.1.14	1,500	3000	0	0		

The exercise price of all DSOP options exercised on 18.6.13 was 537.5p and the share price on that date was 1,185p.

The awards made on 2.5.13, 21.6.13 and 27.9.13 were based on rigorous targets for year ending 31.1.14; not all these targets were met and two awards lapsed at the end of the year. The value of the options awarded during the year where the annual targets were met is shown in the remuneration table for year ending 31.1.14.

Shareholder vote on January 2013 Remuneration Report (this section is not subject to audit)

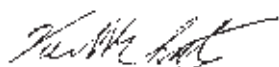
The table below shows the voting outcome at 24 May 2013 AGM for the January 2013 Directors Remuneration Report

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"
5,950,391	69.6%	2,594,156	30.4%	8,544,547	561

The Remuneration Committee welcomed the passing of the resolution 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. In particular since the AGM the Remuneration Committee has engaged in dialogue with a major shareholder representing 2,420,000 of the votes against this particular resolution and has consulted with them on the contents of this year's report to try to allay any concerns they may have.

Approval

This report section B2 of the Annual Report and Accounts including both the Remuneration Policy Report and The Annual Remuneration Report was approved by the Board of Directors on 24 March 2014 and signed on its behalf by:



Keith Smith

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 Lady K Innes Ker, Mr D Markou and Mr K Smith, who are all independent non-executive directors. Biographical details of these directors are set out on pages x and x. The committee is chaired by Mr D Markou. Lady Katherine Innes Ker joined the Audit Committee when she was appointed to the Board on 25 May 2013. 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 auditor without executive Board members present. During the year ending 31 January 2014 two meetings were held.

Significant Issues related to the financial statements

The significant issues and areas of judgement considered by the Audit Committee in relation to the 2014 Financial Statements were as follows:

Impairment of receivables – Consumer Credit (Home Credit) – see accounting policy 1.4 on page 48

Receivables are impaired in Home Credit based on the number of cumulative contractual weekly payments that have been missed in the last 10 weeks. Impairment is calculated using models which use historical payment performance 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 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 year end with the difference being the impairment provision.

In assessing the adequacy of the Home Credit impairment provision the Audit Committee considers:

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

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 48

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 year end with the difference being the impairment provision.

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

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

Revenue Recognition – see also accounting policy 1.3 on page 47

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 IAS 39, credit charge income should be recognised on the shorter of the expected life or the contractual life of the loan. Ancillary insurance brokerage income for Motor Finance is credited to the income statement when the brokerage service has been provided, after taking into account expected refunds payable on customer early settlements and policy cancellations. Under IAS 39 management have judged that credit charges should be taken over the contractual life of the loan for both Home Credit and Motor Finance.

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

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

External Audit

The Committee is responsible for assessing the effectiveness of the external audit process, for monitoring the independence and objectivity of the external auditor and for making recommendations to the Board in relation to the appointment of the external auditor. The Committee is also responsible for developing and implementing the Group's policy on the provision of non audit services by the external auditor.

The Committee considers the effectiveness of the external audit and the Group's relationship with the external auditor, Deloitte LLP, on an ongoing basis, and have conducted a formal review of the effectiveness of the annual audit before commencing this Annual Report to the Board. This review consisted of considering a list of relevant questions, together with the senior financial management of the Group, without the external auditor present and then discussing the evaluation with the auditors. The Committee was able to conclude, on the basis of this exercise and its experience over the year that the external audit process remained effective. A further review will be carried out following the completion of audit procedures on all Group companies and reported on in next year's annual report.

Deloitte LLP and its predecessor firms have been the auditors of the Group since 2000, although the lead audit partner rotates every five years, most recently following the completion of the audit for the year ended 31 January 2011. Before recommending their reappointment to the Board, the Committee engaged with the auditor's to ensure they are still providing the required quality of service and remain independent. During the year the external auditor presented the Committee with their firm's transparency report, which is intended to demonstrate the steps it takes to ensure audit quality with reference to the Audit Quality Framework issued by the Professional Oversight Board of the Financial Reporting Council. More specifically the Committee considered whether the auditor's understanding of their Group's business, their access to appropriate financial services and regulatory specialists within their firm, both locally and nationally, and their understanding of the sectors in which the Group operates were appropriate to the Group's needs. On this basis the Committee concluded that the needs of the Group would not be best served by putting the external audit out to tender at this time. The Committee has therefore recommended to the Board that the reappointment of Deloitte LLP should be proposed at the forthcoming Annual General Meeting.

The Committee notes, however, the recent findings of the Competition Commission into the audit market which will require all FTSE 350 companies to put their audit out to tender every ten years, and where auditors have been in office since before 2005, to conduct a tender no later than two years after the end of the current lead partner's five year term. The Group is not currently a FTSE 350 company but the Committee further notes that if it were, it would mean that the Group would be required to put its audit out to tender in or before its financial year ending 31 January 2018. A recommended course of action will be proposed to the Board at the appropriate time. The Committee has not identified any factors which might restrict its choice of external auditor.

Both the Committee and the external auditor have in place safeguards to avoid any compromise of the independence and objectivity of the external auditor. The Committee considers the independence of the external auditor annually and the Group has a formal policy for the engagement of its external auditor to supply external non-audit services. The policy is designed to ensure that neither the nature of the service to be provided nor the level of reliance placed on the services could impact the objectivity of the external auditor's opinion on the Group's financial statements.

The policy precludes the appointment of the external auditor to provide any service where there is involvement in management functions or decision making, or any service on which management may place primary reliance in determining the adequacy of internal controls, financial systems or financial reporting. The external auditor may provide corporate finance and similar services (provided there is no significant advocacy role) or tax services but, if the advice given or the position taken would be material to the Group, the prior consent of the Committee would be required. Internal audit services will not be provided by the external auditor. Other services may be procured by management without the prior consent of the Committee, but are reported to the Committee on an ongoing basis.

Fees paid to the external auditor are shown in note 6 to the accounts. Other than services required to be provided by external auditor by legislation or regulation, non-audit services relate to audit related assurance services, taxation services and regulatory advisory services. Overall, the fees paid to the external auditor for non-audit services were £66,000 (2013: £94,000).

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
24 March 2014

B3.2 Corporate Governance

B3.2 CORPORATE GOVERNANCE

The latest version of the UK Corporate Governance Code (formerly the combined code) was issued by the Financial Reporting Council in September 2012. 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 period under review, the Company was controlled through the Board of Directors which comprised six executive and three or four non-executive directors. The Chairman is mainly responsible for the running of the Board and 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. All directors are able to take independent professional advice in the furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets at least three 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 individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their 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 considers the performance of the directors and committees on an ongoing basis, and the contributions of individuals to their roles.

The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. Trading companies are managed by separate boards of directors. The minutes of their meetings and of the standing committees will be circulated to and reviewed by the Board of Directors. Terms of reference for the committees are available from S&U plc head office and on our website www.suplc.co.uk.

Mr KR Smith and Mr D Markou have served as non-executive directors on the Board for over 9 years. Notwithstanding this length of service the Board considers them to be independent due to their robust judgement and character and the invaluable balance and experience they have brought to the Board's deliberations. Apart from common shareholdings, neither Mr Smith or Mr Markou have any other cross directorships or other significant commercial links with other directors. In addition, their financial, business and stockmarket training and experience are considered invaluable to the Board at this stage of the Group's development. In May 2013 we were delighted to welcome Lady Katherine Innes Ker as an additional independent non-executive director to the S&U Board. The Board has designated Mr KR Smith as Senior Independent Director. Section B.1.2 of the Code requires that except for "smaller companies", at least half the board, excluding the chairman, should comprise non executive directors determined by the board to be independent. "A smaller company" is defined as being outside the FTSE 350. S&U is therefore required to have two independent NEDs and therefore complies. The Board has considered the balance between the independent and non-independent directors and considers it to be satisfactory. The Board has and will consider the composition of committees on an ongoing basis. The Nominations Committee is composed of Mr KR Smith who also chairs this committee, together with the two other independent non-executive directors and Mr AMV Coombs. The Audit Committee is composed of the three independent non-executive directors. The Remuneration Committee is composed of the same three independent non-executive directors. Chairmen of these committees are appointed from among the members. The Chairman of the Audit Committee is Mr D Markou and the Chairman of the Remuneration Committee is Mr KR Smith.

The work of the Nominations Committee is to regularly review the size, structure and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary, including the recruitment process and advertising in respect of Board appointments. Prior to the appointment of our new non-executive director in May 2013, various recruitment agencies were utilised to identify a shortlist of candidates. None of these agencies has any other connection with the Company. Terms of reference for the Nominations Committee are available on our website www.suplc.co.uk.

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.

In accordance with the Company's Articles of Association, Lady K Innes Ker offers herself for election and Messrs AMV Coombs, GDC Coombs, CH Redford, JG Thompson, MJ Mullins, MJ Thompson, F Coombs, D Markou and KR Smith, being eligible offer themselves for re-election at the next Annual General Meeting. Lady K Innes Ker, Mr F Coombs, Mr D Markou and Mr KR Smith are non-executive directors and the Chairman has determined their performance to be both effective and committed.

The role of Company Secretary has been fulfilled very capably by our Group Finance Director Chris Redford for the past 10 years. As the Company is growing and regulatory and administration requirements are increasing, it is now appropriate to appoint a separate S&U plc Company Secretary. With effect from 3 February 2014, Chris Redford resigned the role of Company Secretary and the Board appointed Manjeet K Bhogal ACMA, CGMA to that position. This also recognises the significant contribution Manjeet has made in the last 9 years to the success of the Group. The Company Secretary 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.

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 4 to 11, 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 39 and those of the auditor on page 40.

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.

B3. Governance continued

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. Independence of the external auditor has been 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 51 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, tax compliance and other services. 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.

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 work-focused and free from any form of discrimination. The Group will always wish to ensure appointments reflect the best skills available for the job. Currently 29% of senior management positions are held by women.

The attendance of individual directors at the regular meetings of the Board and its committees during the year ended 31 January 2014 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	6	1	4	2
AMV Coombs	6	1	na	na
GDC Coombs	6	na	na	na
KR Smith	5	1	4	2
D Markou	6	1	4	2
K Innes Ker*	2	—	2	1
F Coombs	6	na	na	na
JG Thompson	5	na	na	na
MJ Mullins	6	na	na	na
MJ Thompson	6	na	na	na
CH Redford	6	na	na	na

* Lady Katherine Innes Ker was appointed on 25 May 2014 and attended all meetings she was eligible to attend.

Remuneration

The Remuneration Committee has specific terms of reference which deal with its authority and duties and these, together with details of how the Company has complied with the Remuneration provisions of the UK Corporate Governance Code are detailed in the Directors' Remuneration Report on page 14.

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 20 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 2014 the Company has been in compliance with the Code Provisions set out in the September 2012 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. Although not 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 Home Credit and Motor Finance divisions. The progress of the company has proved the success of these arrangements.

B4. Directors' Report

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2014.

Dividends

Dividends of £5,664,000 (2013: £4,924,000) were paid during the year.

After the year end a second interim dividend for the financial year of 16.0p per ordinary share (2013: 14.0p) will be paid to shareholders on 11 April 2014.

The directors now recommend a final dividend, subject to shareholder's approval, of 24.0p per share (2013: 20.0p). This, together with the interim dividends of 30.0p per share (2013: 26.0p) already paid, makes a total dividend for the year of 54.0p per share (2013: 46.0p).

Substantial shareholdings

At 24 March 2014, 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
DM Coombs	3,039,032	25.9%
Wiseheights Limited	2,420,000	20.6%

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 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'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.

The Group also 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.

Political contributions

During the year the Company and the Group made no political contributions.

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

There were no significant events after the balance sheet date.

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.

B4. Directors' Report continued

Information presented in other sections

Certain information required to be included in the Directors 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 Directors 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.
- 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

M K Bhogal
Company Secretary
24 March 2014

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 or loss 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
24 March 2014



Graham Coombs
Deputy Chairman
24 March 2014

c. Independent Auditor's Report to the Members of S&U plc

Opinion on financial statements of S&U plc

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 2014 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.

The financial statements comprise the Group Income Statement, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 27. 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.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the Strategic Report on page 9 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Provision for impairment losses against loans and receivables The assessment of the Group's calculation of provisions for impairment losses against loans and receivables is complex and requires management to make significant judgements regarding expectations of future cash flows arising from customers. This is set out in the critical accounting judgements and key sources of estimation uncertainty on page 32 and the quantum of the provision is set out in note 14 to the financial statements.	We assessed the appropriateness of management's assumptions used in the impairment calculations for loans and receivables, including specifically the estimation of future cash flows, and the identification of impaired accounts. This involved analysis of the Group's historical experience and benchmarking the key assumptions to external economic and industry data as well as reviewing cash flows subsequent to the year end. Sensitivity analysis was performed in relation to the key assumptions in order to assess the potential for management bias. We also used data analytics to test the mechanical accuracy of the models on which impairments are calculated by testing an extraction of source data from the lending systems and recalculating the provision in accordance with the approved provisioning policy.
Revenue recognition Revenue recognition and specifically the application of the requirement in IAS 39 "Financial Instruments" ("IAS 39") to recognise income on loans using an effective interest rate method is a complex area, requiring management to make judgements relating to the expected life of each loan and the cash flows related thereto. This is set out in the critical accounting judgements and key sources of estimation uncertainty on page 32.	We challenged management's assumptions used in the recognition of revenue using the effective interest rate method, including the impact of early redemptions, and assessed whether the revenue recognition policies adopted were in compliance with IFRS. The effective interest rate was recalculated for a sample of loans. Sensitivity analysis was performed in relation to the key assumptions in order to assess the potential for management bias. We also tested the mechanical accuracy of the models which are used to determine revenue by agreeing a sample of model inputs back to underlying source data.

The Audit Committee's consideration of these risks is set out on page 32.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

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.

We determined materiality for the Group to be £1.3 million, which is 7.5% of pre-tax profit.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £26,000, 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. Based on that assessment, 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 profit before tax. Both locations were audited directly by the Group audit team. Our audit work on the trading subsidiaries comprised statutory audits which were executed at levels of materiality applicable to each individual entity which were lower than Group materiality. At the Parent entity level we also tested the consolidation process.

Opinion 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; and
- 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.

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 arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

c. Independent Auditor's Report to the Members of S&U plc continued

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focussed second partner reviews and independent partner reviews.

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.

Scope of the audit of the financial statements

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

Peter Birch (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom
24 March 2014

D1. The Accounts

D1.1 Group Income Statement

Year ended 31 January 2014

	Note	2014 £000	2013 £000
Revenue	3	60,823	54,990
Cost of sales	4	(19,713)	(18,411)
Gross profit		41,110	36,579
Administrative expenses		(23,096)	(21,768)
Operating profit	6	18,014	14,811
Finance costs (net)	7	(727)	(581)
Profit before taxation	2	17,287	14,230
Taxation	9	(3,955)	(3,350)
Profit for the year attributable to equity holders		13,332	10,880
Earnings per share basic	11	113.2p	92.6p
Earnings per share diluted	11	112.0p	91.5p

All activities derive from continuing operations.

Statement of Comprehensive Income

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Profit for the year attributable to equity holders	13,332	10,880	6,089	5,982
Actuarial loss on defined benefit pension scheme	(11)	(26)	(11)	(26)
Credit for cost of future share based payments	—	256	—	111
Total Comprehensive Income for the year	13,321	11,110	6,078	6,067

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

D1.2 Balance Sheet

31 January 2014

Company Registration No. 342025

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
ASSETS					
Non current assets					
Property, plant and equipment	12	1,932	1,790	1,301	1,181
Investments	13	—	—	2,432	2,432
Amounts receivable from customers	14	49,917	34,804	120	128
Retirement benefit asset	27	20	20	20	20
Deferred tax assets	19	343	127	128	20
		52,212	36,741	4,001	3,781
Current assets					
Inventories	15	136	115	136	115
Amounts receivable from customers	14	57,094	51,516	16,961	16,837
Trade and other receivables	16	497	333	44,977	31,794
Cash and cash equivalents		12	9	10	8
		57,739	51,973	62,084	48,754
Total assets		109,951	88,714	66,085	52,535
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	17	(2,351)	(2,574)	(1,701)	(1,586)
Trade and other payables	18	(2,553)	(2,029)	(1,422)	(1,179)
Current tax liabilities		(2,681)	(2,186)	(587)	(466)
Accruals and deferred income		(2,506)	(2,409)	(744)	(377)
		(10,091)	(9,198)	(4,454)	(3,608)
Non current liabilities					
Bank loans	17	(30,000)	(18,000)	(30,000)	(18,000)
Financial liabilities	21	(450)	(450)	(450)	(450)
		(30,450)	(18,450)	(30,450)	(18,450)
Total liabilities		(40,541)	(27,648)	(34,904)	(22,058)
NET ASSETS		69,410	61,066	31,181	30,477
Equity					
Called up share capital	20	1,677	1,669	1,677	1,669
Share premium account		2,215	2,190	2,215	2,190
Profit and loss account		65,518	57,207	27,289	26,618
Total equity		69,410	61,066	31,181	30,477

These financial statements were approved by the Board of Directors on 24 March 2014.

Signed on behalf of the Board of Directors



Anthony Coombs
Chairman
24 March 2014



Chris Redford
Finance Director
24 March 2014

D1.3 Statement of Changes in Equity

Year ended 31 January 2014

Group	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2012	1,668	2,173	51,021	54,862
Profit for year	—	—	10,880	10,880
Other comprehensive income for year	—	—	230	230
Total comprehensive income for year	—	—	11,110	11,110
Issue of new shares in year	1	17	—	18
Dividends	—	—	(4,924)	(4,924)
At 31 January 2013	1,669	2,190	57,207	61,066
Profit for year	—	—	13,332	13,332
Other comprehensive income for year	—	—	(11)	(11)
Total comprehensive income for year	—	—	13,321	13,321
Issue of new shares in year	8	25	—	33
Cost of future share based payments	—	—	446	446
Tax charge on equity items	—	—	208	208
Dividends	—	—	(5,664)	(5,664)
At 31 January 2014	1,677	2,215	65,518	69,410
Company	£000	£000	£000	£000
At 1 February 2012	1,668	2,173	25,475	29,316
Profit for year	—	—	5,982	5,982
Other comprehensive income for year	—	—	85	85
Total comprehensive income for year	—	—	6,067	6,067
Issue of new shares in year	1	17	—	18
Dividends	—	—	(4,924)	(4,924)
At 31 January 2013	1,669	2,190	26,618	30,477
Profit for year	—	—	6,089	6,089
Other comprehensive income for year	—	—	(11)	(11)
Total comprehensive income for year	—	—	6,078	6,078
Issue of new shares in year	8	25	—	33
Cost of future share based payments	—	—	134	134
Tax charge on equity items	—	—	123	123
Dividends	—	—	(5,664)	(5,664)
At 31 January 2014	1,677	2,215	27,289	31,181

D1.4 Cash Flow Statement

Year ended 31 January 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Net cash (used in)/from operating activities	23	(5,407)	3,848	(5,924)	4,649
Cash flows (used in)/from investing activities					
Proceeds on disposal of property, plant and equipment		85	77	46	48
Purchases of property, plant and equipment		(821)	(795)	(604)	(691)
Net cash used in investing activities		(736)	(718)	(558)	(643)
Cash flows (used in)/from financing activities					
Dividends paid		(5,664)	(4,924)	(5,664)	(4,924)
Issue of new shares		33	18	33	18
Receipt of new borrowings		12,000	—	12,000	—
Repayment of borrowings		—	—	—	—
Net (decrease)/increase in overdraft		(223)	1,768	115	891
Net cash used from/(used in) financing activities		6,146	(3,138)	6,484	(4,015)
Net increase/(decrease) in cash and cash equivalents		3	(8)	2	(9)
Cash and cash equivalents at the beginning of year		9	17	8	17
Cash and cash equivalents at the end of year		12	9	10	8
Cash and cash equivalents comprise					
Cash and cash in bank		12	9	10	8

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2013: £nil).

D2. Notes to the Accounts

Year ended 31 January 2014

1. Accounting Policies

1.1 General Information

S&U plc is a Company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 13 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 2014. 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.

New and amended standards adopted by the Group and Company:

IFRS 10	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (amendments)	Employee Benefits
IAS 27 (amendments)	Separate Financial Statements
IFRS 12	Disclosure of Interests in Other Entities

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 9	Financial Instruments
IAS 32/IFRS 7 (amendments)	Offsetting Financial Assets and Liabilities
IAS 19 (amendments)	Employee Benefits

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 Group other than the adoption of IFRS 9 which may have a material impact on the financial assets reported by the Group. It is not practical to provide a reasonable estimate of the effect of IFRS 9 until more detailed guidance becomes available nearer the proposed date and a more detailed review is undertaken.

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 method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Acceptance fees charged to customers and any direct transaction 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.

Commission received from third party insurers for brokering the sale of motor finance insurance products, for which the Group does not bear any underlying insurance risk is recognised and credited to the income statement when the brokerage service has been provided, after taking into account expected refunds payable on customer early settlements and policy cancellations.

Sales of goods are recognised in the income statement when the product has been supplied.

D2. Notes to the Accounts continued

Year Ended 31 January 2014

1. Accounting Policies continued

1.4 Amounts receivable from customers

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

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. 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.

1.6 Inventories

Inventories are stated at the lower of cost or net realisable value.

1.7 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.

1.8 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.

1.9 Pensions

The Group contributes 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.

1.10 Share based payments

The Company issues share based payments 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 IFRS 2. 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.

1.11 Leases

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

1.12 Investments

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

1.13 Critical accounting judgements and key sources of estimation uncertainty

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

2. Segmental Analysis

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

Class of business	Revenue		Profit before taxation	
	Year ended 31.1.14 £000	Year ended 31.1.13 £000	Year ended 31.1.14 £000	Year ended 31.1.13 £000
Consumer credit, rentals and other retail trading	34,676	34,189	5,818	6,150
Motor finance	26,147	20,801	11,469	8,080
	60,823	54,990	17,287	14,230

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

Class of business	Assets		Liabilities	
	Year ended 31.1.14 £000	Year ended 31.1.13 £000	Year ended 31.1.14 £000	Year ended 31.1.13 £000
Consumer credit, rentals and other retail trading	36,191	35,677	10,550	9,415
Motor finance	73,760	53,037	(51,091)	(37,063)
	109,951	88,714	(40,541)	(27,648)

Depreciation of assets for consumer credit was £473,000 (2013: £434,000) and for motor finance was £104,000 (2013: £81,000). Fixed asset additions for consumer credit were £604,000 (2013: £691,000) and for motor finance were £217,000 (2013: £104,000).

The net finance credit for consumer credit was £459,000 (2013: £264,000) and for motor finance was a cost of £1,186,000 (2013: £845,000). The tax charge for consumer credit was £1,385,000 (2013: £1,423,000) and for motor finance was £2,570,000 (2013: £1,927,000).

The significant products in consumer credit, rentals and other retail trading are unsecured Home Credit loans. The significant products in motor finance are car loans secured under hire purchase agreements.

The assets and liabilities of the Parent Company are classified as consumer credit, rentals and other retail trading.

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

D2. Notes to the Accounts continued

Year Ended 31 January 2014

3. Revenue

	2014 £000	2013 £000
Interest and acceptance fee income	57,582	51,532
Insurance and other commissions and option fees	3,241	3,458
Total revenue	60,823	54,990

4. Cost Of Sales

	2014 £000	2013 £000
Loan loss provisioning charge – consumer credit	7,760	7,704
Loan loss provisioning charge – motor finance	5,087	5,291
Total loan loss provisioning charge	12,847	12,995
Other cost of sales	6,866	5,416
Total cost of sales	19,713	18,411

5. Information regarding employees

	2014 No.	2013 No.
The average number of persons employed by the Group in the year was:		
Consumer credit, rentals and other retail trading	294	292
Motor finance	92	80
	386	372

	2014 £000	2013 £000
Staff costs during the year (including directors):		
Wages and salaries	10,569	9,669
Social security costs	964	977
Pension costs for money purchase scheme	291	467
	11,824	11,113

Directors' remuneration is disclosed in the audited section of the Directors' Remuneration Report.

6. Operating profit

	2014 £000	2013 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	577	515
Staff costs	11,824	11,113
Cost of future share based payments	446	256
Rentals under operating leases:		
Hire of plant and machinery	4	4
Other operating leases	443	436
Loss on sale of fixed assets	17	38
Rentals received/receivable under operating leases	(142)	(153)

The analysis of auditor's remuneration is as follows:

	2014 £000	2013 £000
Fees payable to the Group's auditor for the audit of the Company's annual accounts	46	45
Fees payable to the Group's auditor for other services to the Group		
The audit of the Company's subsidiaries	43	40
Total audit fees	89	85
Audit related assurance services	23	23
Tax compliance services	14	23
Corporate Finance services	—	43
Other services	29	5
Total non-audit fees	66	94
Total	155	179

7. Finance costs (net)

	2014 £000	2013 £000
31.5% cumulative preference dividend	142	142
Bank loan and overdraft	584	438
Other interest payable	2	2
Interest payable and similar charges	728	582
Interest receivable	(1)	(1)
	727	581

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 £6,089,000 (2013: £5,982,000).

9. Tax on profit before taxation

	2014 £000	2013 £000
Corporation tax at 23.2% (2013: 24.3%) based on profit for the year	3,976	3,546
Adjustment in respect of prior years	(13)	(133)
	3,963	3,413
Deferred tax (timing differences – origination and reversal)	(8)	(63)
	3,955	3,350

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

	2014 £000	2013 £000
Profit on ordinary activities before tax	17,287	14,230
Tax on profit on ordinary activities at standard rate of 23.2% (2013: 24.3%)	4,011	3,458
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	48	28
Effects of other tax rates	(91)	(3)
Prior period adjustments	(13)	(133)
Total actual amount of tax	3,955	3,350

The main rate of corporation tax was reduced from 24% to 23% with effect from 1 April 2013, therefore the tax rates applicable to the current period is a blended rate of 23.2%.

Finance Act 2013 enacted a reduced tax rate of 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The effect of these proposed tax rate reductions will be reflected in future periods depending on when they are substantively enacted.

D2. Notes to the Accounts continued

Year Ended 31 January 2014

10. Dividends

	2014 £000	2013 £000
2nd Interim paid for the year ended 31/1/2013 – 14.0p per Ordinary share (12.0p)	1,645	1,410
Final paid for the year ended 31/1/2013 – 20.0p per Ordinary share (18.0p)	2,353	2,115
1st Interim paid for the year ended 31/1/2014 – 14.0p per Ordinary share (12.0p)	1,654	1,410
Total ordinary dividends paid	5,652	4,935
6% cumulative preference dividend paid March and September	12	12
Credit for unrepresented dividend payments over 12 years old	—	(23)
Total dividends paid	5,664	4,924

A second interim dividend of 16.0p per ordinary share for the year ended 31 January 2014 will be paid on 11 April 2014 and the directors are proposing a final dividend for the year ended 31 January 2014 of 24.0p per ordinary share. The final dividend will be paid on 11 July 2014 to shareholders on the register at close of business on 20 June 2014 subject to approval by shareholders at the Annual General Meeting on Tuesday 20 May 2014.

11. Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit after tax of £13,332,000 (2013: £10,880,000).

The number of shares used in the basic eps calculation is the average number of shares in issue during the year of 11,777,093 (2013: 11,750,289). There are a total of 283,835 dilutive share options in issue (2013: 232,698). The number of shares used in the diluted eps calculation is 11,898,890 (2013: 11,896,338).

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 2012	429	2,468	1,682	4,579
Additions	20	526	249	795
Disposals	—	(332)	(6)	(338)
At 31 January 2013	449	2,662	1,925	5,036
Additions	15	667	139	821
Disposals	—	(279)	(65)	(344)
At 31 January 2014	464	3,050	1,999	5,513
Accumulated depreciation				
At 1 February 2012	148	1,475	1,331	2,954
Charge for the year	15	352	148	515
Eliminated on disposals	—	(221)	(2)	(223)
At 31 January 2013	163	1,606	1,477	3,246
Charge for the year	20	407	150	577
Eliminated on disposals	—	(177)	(65)	(242)
At 31 January 2014	183	1,836	1,562	3,581
Net book value				
At 31 January 2014	281	1,214	437	1,932
At 31 January 2013	286	1,056	448	1,790

Included in the above is land at a cost or valuation of £60,000 (2013: £60,000) 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 2012	80	1,531	948	2,559
Additions	—	510	181	691
Disposals	—	(238)	—	(238)
At 31 January 2013	80	1,803	1,129	3,012
Additions	—	557	47	604
Disposals	—	(166)	(56)	(222)
At 31 January 2014	80	2,194	1,120	3,394
Accumulated depreciation				
At 1 February 2012	25	830	775	1,630
Charge for the year	1	282	88	371
Eliminated on disposals	—	(170)	—	(170)
At 31 January 2013	26	942	863	1,831
Charge for the year	1	342	86	429
Eliminated on disposals	—	(111)	(56)	(167)
At 31 January 2014	27	1,173	893	2,093
Net book value				
At 31 January 2014	53	1,021	227	1,301
At 31 January 2013	54	861	266	1,181

Included in the above is land at cost of £22,000 (2013: £22,000) which is not depreciated.

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

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
	247	242	112	104

13. Investments and related party transactions

Company	2014 £000	2013 £000
Shares in subsidiary companies		
At historic cost less impairment	2,432	2,432

Interests in subsidiaries

The principal subsidiaries of the Company, all of which are wholly owned directly by the Company, operate in Great Britain and are incorporated in England and Wales.

Subsidiary

S D Taylor Limited
Advantage Finance Limited

Principal activity

Consumer credit, rentals and other retail trading
Motor finance

D2. Notes to the Accounts continued

Year Ended 31 January 2014

13. Investments and related party transactions continued

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 obtained supplies at market rates amounting to £4,702 (2013: £4,929) from Grevayne Properties Limited a Company which is a related party because Messrs GDC and AMV Coombs are directors and shareholders. The amount due to Grevayne Properties Limited at the year end was £nil (2013: £nil). During the year, by order of the Board and in view of his 50 year service to the Company without company pension contribution the former Chairman Mr DM Coombs received a discretionary payment for the year of £120,000 (2013: £120,000). The Board will carefully review this discretionary payment in succeeding years, but do not anticipate that such payments will ever exceed this amount. All related party transactions were settled in full.

Company

The Company received dividends from other Group undertakings totalling £5,200,000 (2013: £4,700,000). 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 2014 the Company was owed £44,687,823 (2013: £31,596,396) by other Group undertakings and owed £nil (2013: £nil). All related party transactions were settled in full when due.

14. Amounts receivable from customers

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Consumer credit, rentals and other retail trading	51,963	51,844	26,077	26,117
Motor finance hire purchase	93,217	71,778	—	—
	145,180	123,622	26,077	26,117
Less: Loan loss provision consumer credit, rentals and other retail trading	(17,921)	(18,023)	(8,996)	(9,152)
Less: Loan loss provision motor finance	(20,248)	(19,279)	—	—
Amounts receivable from customers	107,011	86,320	17,081	16,965
Analysis by future date due				
— due within one year	57,094	51,516	16,961	16,837
— due in more than one year	49,917	34,804	120	128
Amounts receivable from customers	107,011	86,320	17,081	16,965

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Analysis of security				
Loans secured on vehicles under hire purchase agreements	72,126	51,807	—	—
Loans secured on residential property under 2nd mortgage agreements	212	326	—	—
Other Loans not secured	34,673	34,187	17,081	16,965
Amounts receivable from customers	107,011	86,320	17,081	16,965
Analysis of overdue				
Not impaired				
Neither past due nor impaired	85,921	63,808	9,171	8,182
Past due up to 3 months but not impaired	7,497	8,971	3,762	4,519
Past due over 3 months but not impaired	6,872	6,900	3,448	3,495
Impaired				
Past due up to 3 months	4,195	3,529	528	564
Past due over 3 months and up to 6 months	974	1,159	120	140
Past due over 6 months or default	1,552	1,953	52	65
Amounts receivable from customers	107,011	86,320	17,081	16,965

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 rather than payment performance over the previous 10 weeks. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2013: £nil).

Analysis of movements on loan loss provisions

Group	Consumer credit, rentals and other trading £000	Motor finance £000	Total £000
At 1 February 2012	17,604	18,083	35,687
Charge for year	7,704	5,291	12,995
Amounts written off during year	(4,457)	(2,433)	(6,890)
Unwind of discount	(2,828)	(1,662)	(4,490)
At 31 January 2013	18,023	19,279	37,302
Charge for year	7,760	5,087	12,847
Amounts written off during year	(4,984)	(2,092)	(7,076)
Unwind of discount	(2,878)	(2,026)	(4,904)
At 31 January 2014	17,921	20,248	38,169

Company	£000	£000	£000
At 1 February 2012	8,775	—	8,775
Charge for year	4,046	—	4,046
Amounts written off during year	(2,247)	—	(2,247)
Unwind of discount	(1,421)	—	(1,421)
At 31 January 2013	9,153	—	9,153
Charge for year	3,952	—	3,952
Amounts written off during year	(2,654)	—	(2,654)
Unwind of discount	(1,455)	—	(1,455)
At 31 January 2014	8,996	—	8,996

There has been no material change in the average discount rate used for either consumer credit or motor finance during the years to 31 January 2013 and 31 January 2014.

15. Inventories

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Goods for resale	136	115	136	115

The carrying value of inventories is not materially different to the fair value.

16. Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts owed by subsidiary undertakings	—	—	44,688	31,597
Other debtors	97	66	76	53
Prepayments and accrued income	400	267	213	144
	497	333	44,977	31,794

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and 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.

D2. Notes to the Accounts continued

Year Ended 31 January 2014

17. Bank overdrafts and loans

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Bank overdrafts and loans – due within one year	2,351	2,574	1,701	1,586
Bank loan – due in more than one year	30,000	18,000	30,000	18,000
	32,351	20,574	31,701	19,586

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 2014:

- a facility for £6m (2013: £6m) which is subject to annual review in April 2014.
- a facility for £2m (2013: £2m).
- a facility for £0.1m (2013: £0.1m).

Total drawdowns of these overdraft facilities at 31 January 2014 were £2,351,000 (2013: £2,574,000).

S&U plc had the following revolving credit facilities available at 31 January 2014:

- a facility for £18m (2013: £18m) which is due for repayment in April 2016.
- a facility for £7m (2013: £nil) which is due for repayment in March 2018.
- a facility for £15m (2013: £nil) which is due for repayment in March 2018.

The bank overdraft and loans are secured over the assets of the Group under a multilateral guarantee.

The Company is part of the Group overdraft facility and at 31 January 2014 was £1,700,797 overdrawn (2013: £1,585,872).

A maturity analysis of the above borrowings is given in note 22.

18. Trade and other payables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Trade creditors	829	618	488	295
Other creditors	1,724	1,411	934	884
	2,553	2,029	1,422	1,179

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

19. Deferred Tax

Group	Accelerated tax depreciation £000	Revaluation of property £000	Share based payments £000	Retirement benefit obligations £000	Total £000
At 1 February 2012	24	(32)	77	(5)	64
(Debit)/credit to income	(98)	5	155	1	63
Credit to equity	—	—	—	—	—
At 31 January 2013	(74)	(27)	232	(4)	127
(Debit)/credit to income	(24)	2	30	—	8
Credit to equity	—	—	208	—	208
At 31 January 2014	(98)	(25)	470	(4)	343

Company	£000	£000	£000	£000	£000
At 1 February 2012	20	—	37	(5)	52
(Debit)/credit to income	(96)	—	63	1	(32)
Credit to equity	—	—	—	—	—
At 31 January 2013	(76)	—	100	(4)	20
(Debit)/credit to income	(15)	—	24	—	9
Credit to equity	—	—	99	—	99
At 31 January 2014	(91)	—	223	(4)	128

The main rate of corporation tax was reduced from 24% to 23% with effect from 1 April 2013. Finance Act 2013 enacted a reduced tax rate of 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax balance is expected to reverse is therefore 20% and this has been applied to calculate the deferred tax position at 31 January 2014.

20. Called up share capital and preference shares

	2014 £000	2013 £000
Called up, allotted and fully paid		
11,813,425 Ordinary shares of 12.5p each (2013: 11,751,728)	1,477	1,469
200,000 6.0% Cumulative preference shares of £1 each	200	200
Called up share capital	1,677	1,669

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.

21. Financial Liabilities

Preference Share Capital	2014 £000	2013 £000
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2013: 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 capital 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.

D2. Notes to the Accounts continued

Year Ended 31 January 2014

22. Financial instruments

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

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

As at 31 January 2014 the Group's indebtedness amounted to £32,351,000 (2013: £20,574,000) and the Company's indebtedness amounted to £31,701,000 (2013: £19,586,000). The Group gearing was 46.6% (2013: 33.7%), being calculated as net borrowings 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 borrowing facilities at 31 January 2014 of £15.7m (2013: £5.5m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2014 was estimated to be 40% (2013: 42%). The average effective interest rate on financial assets of the Company was estimated to be 67% (2013: 67%). The average effective interest rate of financial liabilities of the Group at 31 January 2014 was estimated to be 4% (2013: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2014 was estimated to be 4% (2013: 4%).

Currency and credit risk

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

Interest rate risk

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts where appropriate to hedge these exposures in bank borrowings in accordance with the accounting policy noted in 1.13 above. 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 2014 would decrease/increase by £0.1m (2013: decrease/increase by £0.1m). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.1m (2013: decrease/increase by £0.1m). 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 2014 would decrease/increase by £0.2m (2012: decrease/increase by £0.2m). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.2m (2013: decrease/increase by £0.2m). 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 2014 the Group gearing level was 46.6% (2013: 33.7%) 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 (2013: £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 IFRS 13.

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 one year which, together with gearing of less than 50%, 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 2014						
Financial assets	57,094	17,390	32,499	28	—	107,011
Other assets	—	—	—	—	2,928	2,928
Cash at bank and in hand	12	—	—	—	—	12
Total assets	57,106	17,390	32,499	28	2,928	109,951
Shareholders' funds	—	—	—	—	(69,410)	(69,410)
Bank overdrafts and loans	(2,351)	—	(30,000)	—	—	(32,351)
Financial liabilities	—	—	—	(450)	—	(450)
Other liabilities	—	—	—	—	(7,740)	(7,740)
Total liabilities and shareholders' funds	(2,351)	—	(30,000)	(450)	(77,150)	(109,951)
Cumulative gap	54,755	72,145	74,644	74,222	—	—

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 2013						
Financial assets	51,516	14,836	19,913	55	—	86,320
Other assets	—	—	—	—	2,385	2,385
Cash at bank and in hand	9	—	—	—	—	9
Total assets	51,525	14,836	19,913	55	2,385	88,714
Shareholders' funds	—	—	—	—	(61,066)	(61,066)
Bank overdrafts and loans	(2,574)	—	(18,000)	—	—	(20,574)
Financial liabilities	—	—	—	(450)	—	(450)
Other liabilities	—	—	—	—	(6,624)	(6,624)
Total liabilities and shareholders' funds	(2,574)	—	(18,000)	(450)	(67,690)	(88,714)
Cumulative gap	48,951	63,787	65,700	65,305	—	—

D2. Notes to the Accounts continued

Year Ended 31 January 2014

22. 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 2014						
Financial assets	16,961	120	—	—	—	17,081
Other assets	—	—	—	—	48,994	48,994
Cash at bank and in hand	10	—	—	—	—	10
Total assets	16,971	120	—	—	48,994	66,085
Shareholders' funds	—	—	—	—	(31,181)	(31,181)
Bank overdrafts and loans	(1,701)	—	(30,000)	—	—	(31,701)
Financial liabilities	—	—	—	(450)	—	(450)
Other liabilities	—	—	—	—	(2,753)	(2,753)
Contingent liabilities	(651)	—	—	—	—	(651)
Total liabilities and shareholders' funds	(2,352)	—	(30,000)	(450)	(33,934)	(53,523)
Cumulative gap	14,619	14,739	(15,261)	(15,711)	(651)	(651)

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 2013						
Financial assets	16,837	128	—	—	—	16,965
Other assets	—	—	—	—	35,562	35,562
Cash at bank and in hand	8	—	—	—	—	8
Total assets	16,845	128	—	—	35,562	52,535
Shareholders' funds	—	—	—	—	(30,477)	(30,477)
Bank overdrafts and loans	(1,586)	—	(18,000)	—	—	(19,586)
Financial liabilities	—	—	—	(450)	—	(450)
Other liabilities	—	—	—	—	(2,022)	(2,022)
Contingent liabilities	(988)	—	—	—	—	(988)
Total liabilities and shareholders' funds	(2,574)	—	(18,000)	(450)	(32,499)	(53,523)
Cumulative gap	14,271	14,399	(3,601)	(4,051)	(988)	(988)

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 2014						
Bank overdrafts and loans	2,351	—	—	—	—	2,351
Trade and other payables	—	2,553	—	—	—	2,553
Tax liabilities	—	2,681	—	—	—	2,681
Accruals and deferred income	—	2,506	—	—	—	2,506
Bank loans	—	—	—	30,000	—	30,000
Financial liabilities	—	—	—	—	450	450
At 31 January 2014	2,351	7,740	—	30,000	450	40,541

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 2013						
Bank overdrafts and loans	2,574	—	—	—	—	2,574
Trade and other payables	—	2,029	—	—	—	2,029
Tax liabilities	—	2,186	—	—	—	2,186
Accruals and deferred income	—	2,409	—	—	—	2,409
Bank loans	—	—	—	18,000	—	18,000
Financial liabilities	—	—	—	—	450	450
At 31 January 2013	2,574	6,624	—	18,000	450	27,648

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 2014						
Bank overdrafts and loans	1,701	—	—	—	—	1,701
Trade and other payables	—	1,422	—	—	—	1,422
Tax liabilities	—	587	—	—	—	587
Accruals and deferred income	—	744	—	—	—	744
Bank loans	—	—	—	30,000	—	30,000
Financial liabilities	—	—	—	—	450	450
At 31 January 2014	1,701	2,753	—	30,000	450	34,904

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 2013						
Bank overdrafts and loans	1,586	—	—	—	—	1,586
Trade and other payables	—	1,179	—	—	—	1,179
Tax liabilities	—	466	—	—	—	466
Accruals and deferred income	—	377	—	—	—	377
Bank loans	—	—	—	18,000	—	18,000
Financial liabilities	—	—	—	—	450	450
At 31 January 2013	1,586	2,022	—	18,000	450	22,058

D2. Notes to the Accounts continued

Year Ended 31 January 2014

23. Reconciliation of operating profit to net cash from operating activities

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Operating Profit	18,014	14,811	5,869	5,934
Finance costs paid	(728)	(582)	(204)	(205)
Finance income received	1	1	740	549
Tax paid	(3,468)	(3,328)	(180)	(347)
Depreciation on plant, property and equipment	577	515	429	371
Loss on disposal of plant, property and equipment	17	38	9	20
(Increase)/decrease in amounts receivable from customers	(20,691)	(8,820)	(116)	999
(Increase)/decrease in inventories	(21)	14	(21)	14
(Increase)/decrease in trade and other receivables	(164)	61	(13,183)	(2,672)
Increase in trade and other payables	524	423	243	252
Increase/(decrease) in accruals and deferred income	97	485	367	(351)
Increase in cost of future share based payments	446	256	134	111
Movement in retirement benefit asset/obligations	(11)	(26)	(11)	(26)
Net cash from operating activities	(5,407)	3,848	(5,924)	4,649

24. Financial commitments

Capital commitments

At 31 January 2014 and 31 January 2013, the Group and Company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2014 and 31 January 2013, the Group and Company had outstanding commitments under non-cancellable operating leases which fall due as follows:

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Within one year	200	208	91	73
In the second to fifth years inclusive	278	325	100	161
After five years	—	—	—	—
	478	533	191	234

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

25. Contingent liabilities

In respect of the Group, the Directors are not aware of any 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 2014 was £651,000 (2013: £988,000).

26. 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:

LTIP 2010	Number of Share Options 2014	Number of Share Options 2013
Outstanding at beginning of year	225,001	147,000
Granted during the year	122,334	101,001
Lapsed during the year	(11,000)	(23,000)
Exercised during the year	(57,000)	—
Expired during the year	—	—
Outstanding at end of year	279,335	225,001
Exercisable at end of year	20,000	—

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

The Group recognised total share based payment expenses for the DSOP and the LTIP of £446,000 in the year to 31 January 2014 (2013: £256,000).

27. Retirement benefit obligations

The Company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2010. At that valuation it was assumed that future investment returns would be 4.0%, salary increases for active members would be 3.5% per annum and inflation would be 3.5% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 January 2014. 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 2015 is £nil.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2010 and updated to 31 January 2014 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 2014	At year end 31 January 2013
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	4.2%	4.3%
Inflation assumption	2.5%	2.5%

D2. Notes to the Accounts continued

Year Ended 31 January 2014

27. Retirement benefit obligations continued

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

	Expected rate of return at 31 January 2014	Fair value at 31 January 2014 £000	Expected rate of return at 31 January 2013	Fair value at 31 January 2013 £000
Equities	7.2%	867	7.2%	876
Bonds	4.2%	216	4.3%	194
Cash	0.5%	155	0.5%	87
Total market value of assets		1,238		1,157

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

	2014 £000	2013 £000
Fair value of plan assets	1,238	1,157
Present value of defined benefit obligations	(1,218)	(1,137)
Pension asset	20	20
Current service cost	5	5
Interest on obligation	33	34
Expected return on plan assets	(49)	(65)
Expense recognised in the income statement	(11)	(26)
Opening net (asset)	(20)	(20)
Expense	(11)	(26)
Contributions paid	—	—
Actuarial loss	11	26
Closing net (asset)	(20)	(20)

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

History of experience adjustments

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Expected return on plan assets	49	65	67	64	57
Actuarial gain/(loss) on plan assets	66	76	(76)	90	157
Actual return on plan assets	115	141	(9)	154	214
Movement in present value of obligation					
Present value of obligation at 1 February	1,137	1,032	1,085	975	794
Interest cost	33	34	43	43	46
Current service cost	5	5	4	3	3
Benefits paid	(34)	(36)	(39)	(44)	(53)
Actuarial loss/(gain) on obligation	77	102	(61)	108	185
Present value of obligation at 31 January	1,218	1,137	1,032	1,085	975
Experience adjustment on scheme liabilities					
Actuarial (gain)/loss as percentage of scheme liabilities	6%	9%	6%	10%	19%
Movement in fair value of plan assets					
Fair value of plan assets at 1 February	1,157	1,052	1,100	990	829
Expected return on plan assets	49	65	67	64	57
Contributions	—	—	—	—	—
Benefits paid	(34)	(36)	(39)	(44)	(53)
Actuarial gain/(loss) on plan assets	66	76	(76)	90	157
Fair value of plan assets at 31 January	1,238	1,157	1,052	1,100	990
Experience adjustment on scheme assets					
Actuarial (loss)/gain as percentage of scheme assets	5%	7%	7%	8%	16%

Five Year Financial record

	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Revenue	45,795	48,016	51,919	54,990	60,823
Operating profit	10,437	10,933	12,812	14,811	18,014
Profit before taxation	9,003	9,859	12,216	14,230	17,287
Taxation	(2,522)	(2,816)	(3,281)	(3,350)	(3,995)
Profit for the year	6,481	7,043	8,935	10,880	13,332
Assets employed					
Fixed assets	1,545	1,446	1,625	1,790	1,932
Amounts receivable and other assets	78,673	75,554	78,124	86,924	108,019
	80,218	77,000	79,749	88,714	109,951
Liabilities	(33,398)	(26,933)	(24,887)	(27,648)	(40,541)
Total equity	46,820	50,067	54,862	61,066	69,410
Earnings per Ordinary share	55.2p	60.0p	76.1p	92.6p	113.2p
Dividends declared per Ordinary share	34.0p	36.0p	41.0p	46.0p	54.0p
Key ratios					
Return on year end capital employed	13.9%	15.1%	17.3%	18.1%	17.6%
Group gearing	56.9%	43.4%	34.3%	33.7%	46.6%

Key ratios have been calculated as follows:

“Return on year end capital employed” is calculated as Operating Profit divided by the sum of Total Equity plus Bank Overdrafts and Loans in Current Liabilities plus Bank Loans and Financial Liabilities (both as disclosed within Non Current Liabilities).

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

Financial Calendar

Annual General Meeting		20 May 2014
Announcement of results	Half year ending 31 July 2014 Year ending 31 January 2015	September 2014 March 2015
Payment of dividends	6% Cumulative preference shares	30 September 2014 & 31 March 2015
	31.5% Cumulative preference shares	31 July 2014 & 31 January 2015
	Ordinary shares — 2013/2014 Final Ex dividend Date Record Date — 2014/2015 First interim — 2014/2015 Second interim	11 July 2014 18 June 2014 20 June 2014 November 2014 April 2015

Directions to our AGM

Annual General Meeting, Nuthurst Grange Country House Hotel, 20 May 2014 at 11.30am

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.

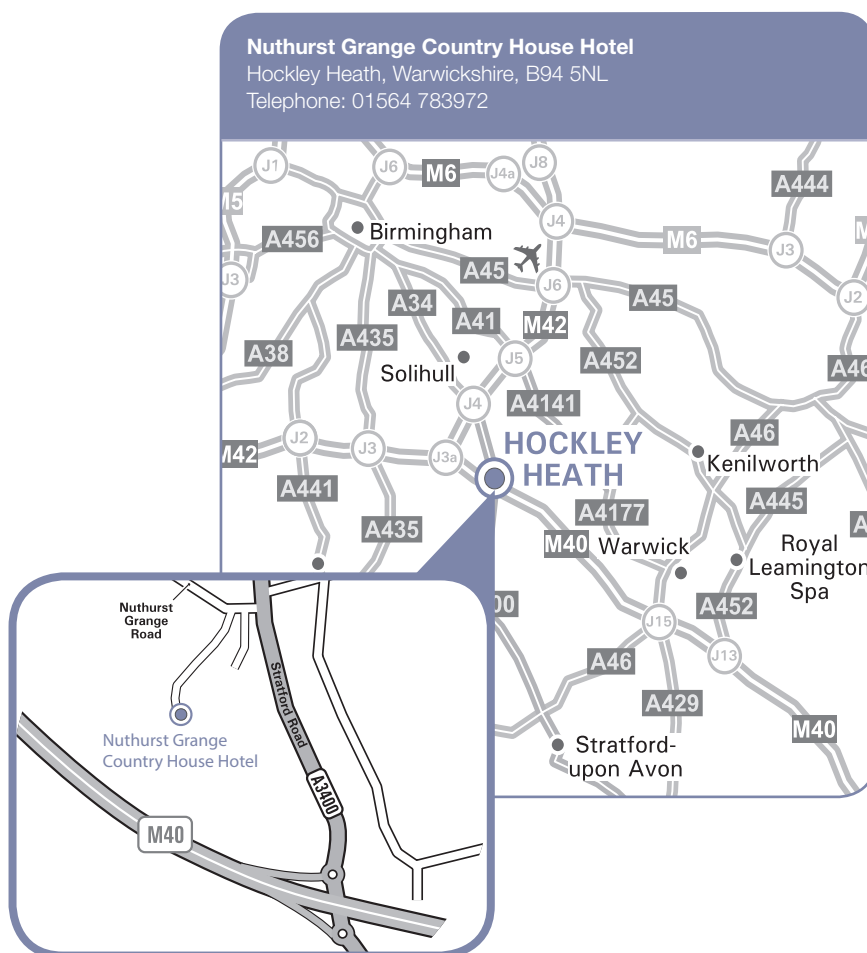
The entrance to the hotel is on the left-hand side (see map)

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".



Shareholder Notes

Shareholder Notes continued

Locations

- 01 Aldershot
- 02 Bacup
- 03 Barton
- 04 Birmingham
- 05 Bridgend
- 06 Bristol
- 07 Carlisle
- 08 Deeside
- 09 Derby
- 10 Diss
- 11 Edinburgh
- 12 Exeter
- 13 Falkirk
- 14 Falmouth
- 15 Glasgow
- 16 Greenock
- 17 Grimsby
- 18 Hereford
- 19 Kilmarnock
- 20 Lanark
- 21 Leeds
- 22 Liverpool
- 23 London
- 24 Milton Keynes
- 25 Neath
- 26 Newcastle-Upon-Tyne
- 27 Nottingham
- 28 Penmaenmawr
- 29 Peterborough
- 30 Rotherham
- 31 Sheffield
- 32 Southampton
- 33 Stoke-On-Trent
- 34 Stockton
- 35 Sunderland
- 36 Swindon
- 37 Ulverston
- 38 Warrington
- 39 West Bromwich



S&U IN THE COMMUNITY

Throughout our business, the secret of S&U's success lies in the close ties it has with its home credit and motor finance customers. It's therefore natural for this to translate into links with the local communities we serve.

Below are some of the Charities we support, see our website for more information.



www.suplc.co.uk



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