S&U Est 1938
the credit you deserve

Strong foundations **confident future**

Annual Report and Accounts
for the Year ended 31 January 2016
Stock code: SUS

the credit you deserve

Welcome to S&U

S&U plc was founded in 1938. Our aim is to provide Britain's foremost motor finance and specialist lending service and since 1999 our Advantage Finance subsidiary has provided motor finance for over 80,000 customers.

OUR VALUES

- Respect for every customer and always treating customers fairly.
- Conservative approach to underwriting and collections to enable sustainable growth.
- Our success is built on placing customers at the heart of our business.

REASONS TO INVEST

- A group with exceptional customer service at its core.
- Track record of growth and profitability
- Prudent and well established lending process
- Strong balance sheet

OUR BUSINESS

Motor Finance

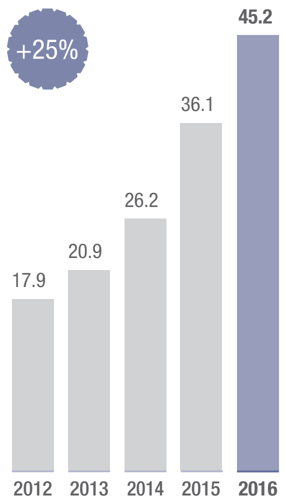
Motor finance facilities provided to over 80,000 customers in UK since inception in 1999, via secured hire purchase loans.

Financial Highlights
from continuing operations

REVENUE (£m)

£45.2m

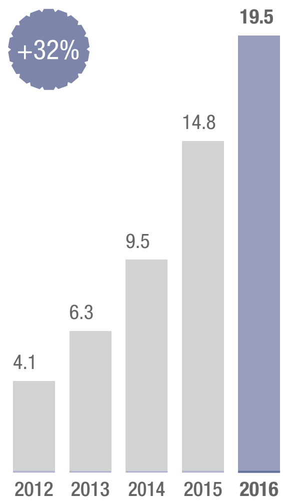
(2015: £36.1m)



PROFIT BEFORE TAX (£m)

£19.5m

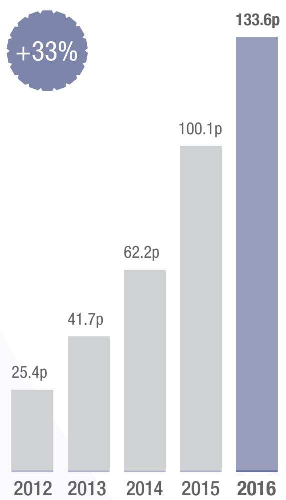
(2015: £14.8m)



BASIC EPS (P)

133.6p

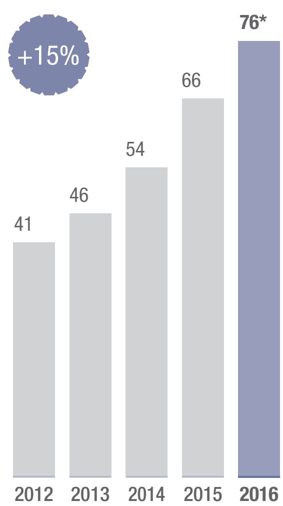
(2015: 100.1p)



DIVIDEND DECLARED (P)*

76p

(2015: 66p)



*Excluding a special dividend of £1.25 per ordinary share paid in November 2015

BASIC EPS (PENCE)
INCREASED BY 33%

PROFIT BEFORE TAX
INCREASED BY 32%

Contents

At a Glance

Our aim is to provide Britain's foremost motor finance and specialist lending service. We currently have over 30,000 customers and provide work for over 100 people.

advantage FINANCE LIMITED

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 80,000 customers across the UK, growing at the rate of 15,000 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 16 consecutive years of record profits.

VISIT US ONLINE www.advantage-finance.co.uk

"Delivering excellent levels of customer service is a central philosophy at Advantage. We believe that placing customers at the heart of the business has been a key factor in our ongoing success."

Guy Thompson
Managing Director
Advantage Finance

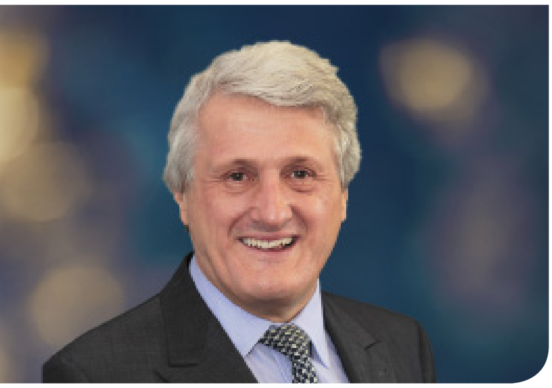
Advantage live customer numbers are now a record at 32,600 and new transactions grew by 27% to 15,100

CUSTOMER TESTIMONIAL

"A big thank you to Helen for the service she provided during the purchase of our vehicle. This is my 3rd car through Advantage and I can honestly say I have never had a problem. Helen kept me informed, chased up the dealer and even when the first car fell through, she adjusted the paperwork for our new purchase and arranged payment within 2 days. Cannot fault anything"

Mrs H of Hamilton

A1 Chairman's Statement



"Following a momentous and successful year for your company, I am pleased to announce another record year in the growth, profitability and financial strength of S&U PLC."

Anthony Coombs
Chairman

Following a momentous and successful year for your company, I am pleased to announce another record year in the growth, profitability and financial strength of S&U PLC. Profit before tax from continuing operations is £19.5m, a 32% increase (2015: £14.8m.) and the disposal of our historic home credit business has also generated a one off profit of £50.1m this year.

Our continuing growth has been powered by another record year at our Advantage motor finance business, where live customer numbers are now over 32,000 and where monthly collections at £7m are almost double those of two years ago.

Recent trends indicate this momentum is being maintained.

Group net assets have increased to £128.3m (2015: £81.5m), net gearing is now only 9.3%, and financial headroom is hence at its highest ever level to fund further expansion of the business.

Highlights

- Continuing PBT at £19.5m (2015: £14.8m)
- Continuing Basic Earnings per share 133.6p (2015 100.1p)
- Group net assets £128.3m (2015: £81.5m)
- Group gearing at 9.3% (2015: 65.8%) and £40m of headroom for growth.
- Dividends of 76p per share (2015: 66p)
- Exceptional additional dividend of £1.25 per share paid in the year.

Financial Highlights

S&U's progress this year has once again been underpinned by a record performance from Advantage Finance, our Grimsby based motor finance business. Advantage profit before tax was up by 22% at £20.4m (2015:£16.7m), whilst revenue rose from £36.1m to £45.2m in the year, or a 25% increase.

Advantage live customer numbers are now a record, at 32,600 (2015: 24,600) and new transactions grew by 27% to 15,100. Given the total used car finance market has been estimated at growing to 1.1m transactions last year, the potential for a company with Advantage's broker network, underwriting expertise and excellent customer relations is enormous.

The result has been a loan book which has reached £145m net receivables, an increase of £39m on 2015. Crucially for future stable growth, historically high levels of debt quality have been maintained and underwriting techniques continuously refined.

In August last year we sold our founding Home Credit business, Loansathome4u, to Non Standard Finance PLC for £82.4m. The circular to shareholders issued then outlined the Board's reasons for doing so. Although the transaction was frankly transformative for the growth and prospects of S&U and Advantage in particular, it nevertheless represented a wrench in leaving an industry in which we had been engaged since 1938.

We therefore wish Loansathome4U, and the loyal and committed people who work there, every success under its new owners.

Dividends

Quite properly, shareholders were able to share the fruits of the Loansathome4U sale through the payment last November of a special dividend of £1.25 per Ordinary share. This was accompanied by a first dividend of 20p per share (2015: 17p) followed by a second payment of 23p (2015:19p).

The continued progress being made by the Group and its trading prospects justify the Board in recommending a final dividend of 33p per ordinary share (2015:30p). This will be paid on the 8th July to ordinary shareholders on the share register at 17th June 2016. As usual, this payment is subject to approval by shareholders at the S&U AGM to be held on the 17th May 2016.

These dividends, both paid and recommended, will total 76p per share for the year, a 15% increase on the record 66p paid a year ago. The inclusion this year of the profit on disposal of Loansathome4U gives good overall cover to our dividend payments and for future years we envisage that the Company is likely to return to nearer its historic average of two times cover.

Funding and Development Review

The sale of our Home Credit business has seen Group Gearing fall to 9.3% (2015: 65.8%) despite the investment of a further £27m into Advantage Finance last year. The Group has £18m in deposits and it still maintains £70m of term facilities with its banking partners, the earliest of which matures in 2018.

The current and foreseeable interest rate environment remains benign whilst, notwithstanding possible temporary distractions caused by the Brexit debate, the political climate in the UK seems more stable than a year ago. In addition, as the size of our business and loan books grow, avenues of potential financing widen.

Using the Group's resources, experience and expertise in related fields of finance we continue to explore acquisitions and new ventures. We have strengthened our team in order to do this and are focussing on specialist credit related areas including motor, short-term and high margin finance businesses which are in tune with the Group's history and strategic objectives.

Regulation, Risk and Governance

2015 saw the welcome election of a majority Government; consequent changes in the hierarchy of the Financial Conduct Authority, our industry's regulator, augur a rigorous and challenging, but more proportionate regime. In any event, Advantage Finance has long enjoyed, directly and through the Finance and Leasing Association, a good working relationship with the Regulator and we expect this to be confirmed when our recent application for renewed authorisation is processed in the coming months.

The past year has seen us reinforce the Three Lines of Defence approach for our growing motor finance business with the appointment of RSM as Group Internal Auditors who liaise with Deloitte, our statutory auditors. Audit arrangements and arrangements with specialist legal advisers are supervised by the Group Audit Committee, in order to minimise and mitigate the commercial, regulatory and legal risks all finance companies face.

A hallmark of S&U plc, and one which is increasingly rare but happily recognised by many in the investing community, is the identity of interest and long term commercial view resulting from the significant shareholdings of management and their families. Just as last year I paid tribute to the contribution made to the Group by Derek Coombs, my late Uncle and former Chairman, so I am delighted now to welcome Jack Coombs, his son and a recently qualified alumnus of PwC, who specialises in company valuations. Jack reports to Ed Ahrens, our Group Strategic Development Director.

Whilst our shareholding structure reinforces the Company's careful and measured approach to growth, we have responsibilities to all Shareholders and to our obligations under the Code of Corporate Governance. To this end, I am delighted to welcome Tarek Khlat a Banker, FCA Approved Person and Wealth Manager of great experience and ability to our Board. Mr. Khlat's appointment will see Non-Executive Directors outnumber Board Executives for the first time in S&U's history and will further strengthen our Board's already rigorous oversight of the Group's activities.

Current Trading and Outlook

Although growth in the British economy has slowed and the Brexit debate might cause temporary uncertainty, the fundamentals influencing the labour market, inflation and living standards in Britain are sound. This is reflected in the robust health of the used sector of the motor market.

We therefore see very significant opportunities to maintain and even accelerate the "steady sustainable growth" which has been S&U's hallmark. Taking "advantage" of these opportunities is made possible by the experience and dedication to our customers of everyone who works for us. We live in exciting and fruitful times. Long may they continue.

Anthony Coombs
Chairman
22 March 2016

EARNINGS

EARNINGS PER SHARE UP 33% TO 133.6p

BORROWINGS

SALE OF HOME CREDIT BUSINESS GIVES SIGNIFICANT FACILITY HEADROOM

NET ASSETS

NET ASSETS INCREASED 57% TO £128.3m

A2 Business Model & Strategy

A2.1 Strategic Review

The S&U Group is now focussed on the specialist motor finance market in which Advantage Finance, our Grimsby based business, has been so remarkably successful over the past 16 years. During that time, whether in the credit expansion of the early millennium, the banking crisis and recession of 2008 and beyond, and the recovery since, Advantage has, without exception, produced record profits and income every year.

Throughout its history, Advantage has been dedicated to providing motor finance on a simple hire purchase basis to customers in the lower and middle income groups. These customers, although decent, hardworking and well intentioned, may have impaired credit records which have seen them in the past unable to access rigidly under-written “mainstream” finance products. Impairment may have been the result of payment records marred by periods of unemployment, short-time working, divorce or family difficulty, or simply they may have been due to spells abroad, frequent home moves or a history of self-employment.

Advantage’s success in serving this demographic group has rested on 3 pillars. The first is its own commitment to excellence. It prides itself in the quality of its relationships with introducing brokers and dealers; in the speed and thoroughness of its ever more sophisticated under-writing and transaction methods; and in the skill and empathy with which it interacts with its customers – both at the inception and throughout the term of their loan. Treating Customers Fairly has always been Advantage’s lodestar. Whilst rigorous in meeting its legal and compliance requirements both of the FCA and of statute, Advantage believe that in the words of Anita Roddick, “being good is good business”. Hence the interests of Advantage and its customers are mutually interwoven and re-enforced.

The second pillar of success rests upon the buoyant market in which Advantage operates and it’s growing, but still small, share of it. Thus the estimated value (British Car Auctions) of the UK Used Car Market has grown from £30bn in 2004 to £45bn in 2014. Transaction volumes have remained static at around 7 million cars per year, of which around 85% involve vehicles over 3 years old which are Advantage’s staple market.

Around 1.1 million of these transactions are bought using finance. This number has grown from around 750,000 just 4 years ago and is worth £11bn per annum. Of these best estimates show around 64% involve hire purchase, as opposed to PCP or Lease hire. Advantage’s non prime hire purchase product is taking an increasing share of this stable market.

The third pillar relates to the business philosophy of both Advantage and its parent S&U plc. Over 70 years and 3 family generations of experience in the specialist credit and lending industry has fused ambition for growth with a conservative approach to both credit quality and funding. As a myriad of financial institutions, including our most prominent banks have discovered – usually losing other people’s money – lending is easy. But responsible, sensible and repayable lending is not. S&U’s watchword is, and will always be – “steady sustainable growth”. In whatever financial sector we operate, this is the key to S&U’s success.

A2.2 Business Review

Operating Results from continuing operations

	Year ended 31 January 2016 £m	Year ended 31 January 2015 £m
Revenue	45.2	36.1
Cost of Sales	16.6	12.5
Gross Profit	28.6	23.6
Administrative Expenses	7.3	7.1
Operating Profit	21.3	16.5
Finance Costs (Net)	1.8	1.7
Profit before Taxation	19.5	14.8

Advantage Finance

Highlights:

- 16th successive record pre-tax profit of £20.4m (2015: £16.7m) a 22% increase.
- Loan transactions at a record 15,100 up 27%.
- Net receivables at a record £145m (2015: £106m)
- Customer numbers reached a record 32,600 (2015: 24,600)
- Cash collected at a record of percentage due and now approaching £7m per month
- Lending rates improved despite some increase in competition.

Advantage Finance, our motor finance business, has produced its 16th record set of pre-tax profits at £20.4m (2015: £16.7m). Its first full decade saw profits rise to £4.2m in 2011. In the following 5 years its reputation amongst introducers and customers for efficient and fair service, its expertise and refinement in under-writing credit risk responsibly and consistently, and its ability to develop new products to match an evolving car finance market, have been the foundations of Advantages accelerated growth.

All have enabled Advantage to establish a leading position in a growing market and to maintain historically high margin business despite some increased competition over the past 3 years. Crucially this has been reflected in both a 32% increase in customer numbers over the year (matched by a 36% increase in receivables) and in excellent collections both in absolute terms and also as a percentage of monies due.

Advantage continues to go from strength to strength. Its sustainable growth is based upon a relentless quest for improvement throughout the business and I again congratulate everybody working there on a fine performance.

A2.3 Funding Review

The sale of our Home Credit business has seen Group Gearing fall to 9.3% (2014/15: 65.8%) despite the investment of a further £27m into Advantage Finance last year. The Group has £18m in deposits; it still maintains £70m of term facilities with its banking partners, the earliest of which matures in 2018.

The current and foreseeable interest rate environment remains benign whilst, notwithstanding possible temporary distractions caused by the Brexit debate, the political climate in the UK seems more stable than a year ago. In addition, as the size of our business and loan books grow, avenues of potential financing widen.

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 value of amounts receivable from customers may also be subject to the risk of a severe downturn in the UK economy which might affect customer ability to repay. Further to the disposal of our home credit business Loansathome4u, the Group is particularly exposed to the non prime motor finance sector and within that to the values of used vehicles which are used as security These economic and concentration risks are principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation.

Funding risk relates to the availability of sufficient borrowing facilities for the Group to meet its liabilities as they fall due and during the year ended 31 January 2016 this risk has reduced in line with the reduction in group gearing due to the receipt of the Loansathome4u disposal proceeds. This funding risk is managed by ensuring that the Group has a variety of funding sources and by managing the maturity of borrowing facilities such that sufficient funding is available for the medium term. Compliance with banking covenants is monitored closely so that facilities remain available at all times. The Group's activities expose it to the financial risks of changes in interest rates and where appropriate the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings.

In terms of legal risk, the Group is subject to legislation including consumer credit legislation which contains very detailed and highly technical requirements. The Group has procedures in place and employs dedicated compliance resource and specialist legal advisers to ensure compliance with this legislation.

As required as part of the standard FCA full permission regime, Advantage Finance Limited applied for renewed authorisation in January 2016 and expects to see this confirmed during the new financial year. Regulatory Risk, including this FCA Authorisation Process, is addressed by the constant review and monitoring of Advantage's internal controls and processes. This constant review and monitoring are buttressed by special advice from Trade and other organisations and by the work of our internal and statutory auditors.

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

Other operational risks are endemic to any finance business. Rigorous procedures, detailed recovery plans and, above all, sound experience and commercial common sense provide Advantage and the Group with appropriate protection.

A3 Statements Of Viability and Going Concern

A3. Statements of Viability and Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group, its cash flows, liquidity position, borrowing facilities, legal and regulatory risk position are set out in the financial statements and Strategic Report.

Statement of Viability

In assessing the viability of the Group as required by the UK Corporate Governance Code, the directors considered funding, business and risk evaluation cycles and concluded that a three year period was appropriate for viability assessment. The directors therefore considered the three year period commencing 1 February 2016 and assessed;

- funding and financial forecasts for this period and the underlying assumptions
- information regarding the principal risks noted in A2.4 above
- information regarding mitigating actions which can be taken

Having considered all relevant information, the directors confirm that they have robustly assessed the principal risks facing S&U plc. From this assessment the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period commencing 1 February 2016.

Statement of Going Concern

In assessing the going concern, the directors are mindful of the need to effectively manage the Group's risks and internal controls. Details of the Group's financial risk management objectives, its financial instruments; and its exposures to credit risk, market risk and liquidity risk are set out in the notes to the financial statements and in the principal risks and uncertainties noted in A2.4 above. The Group's objectives, policies and processes for managing its capital are described in the notes to the financial statements.

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

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Motor Finance

CUSTOMER TESTIMONIAL

"To all at Advantage. I just wanted to send you all an email of thanks for your excellent customer service. Since I have been using your company over a year ago you have made my car finance purchase easy, simple and stress free. Also, always kept me well informed of situations around payments. However, you have gone even one better and helped me out when you've known of a few difficulties over the past few months around my account rather than enforce your contractual rights. Your team are really compassionate and never demanding which makes your company ahead of the rest. I've spoken to some really great people in your team over the time but Sarah today was truly fantastic in dealing with me and deserves huge credit and an asset to your company. Because of the way you guys have treated me since 2014 I've recommended you and talked about you to so many people, and will continue to do this daily. Thanks for your support and I hope you all have a great weekend"

Mr B of Liverpool

CUSTOMER TESTIMONIAL

"I rang in today to make a payment and spoke to a very pleasant and helpful lady called Marina. Her willingness to help customers and her friendly attitude was very refreshing. I really felt she understood our situation and clearly is very knowledgeable and was able to answer my questions and gave us options which were available to me which in return helped me and my wife and eased our worries. Again a big thank you to Marina she's an asset to your company and will definitely make recommendations to my friends and family of your company and good customer service that you provide."

Mr P of Rochester

A4 Corporate Social Responsibility

A4.1 Employees

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

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

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

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

A4.2 Community

S&U does not exist in a vacuum. Our success depends upon our understanding the customers we serve. Where this may not be the case, we have well established policies for any who may wish to complain, routed to our Compliance Department in Grimsby. Our records demonstrate we enjoy high levels of customer satisfaction and 33 of only 49 complaints which reached the Financial Ombudsman Service were decided in the Group's favour (2015: 64 of 78 complaints were decided in the Group's favour).

S&U supports its wider community through charitable giving and activities relating to fundraising. During the year the Group gave over £50,000 in charitable contributions, most of it through the Keith Coombs Trust. The Trust which Anthony Coombs chairs, but which has a Board of independent trustees, mainly gives to charities helping children with disabilities. Last year the Company supported The National Institute for Conductive Education, which deals with adults and children with cerebral palsy, strokes and head injuries, Red Boots, Cure Leukaemia for Kids and other like charities.

The Group also makes financial contributions in the artistic and cultural fields and during the year it sponsored the Birmingham Royal Ballet.

A4.3 Environment and Health and Safety Policy

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

S&U makes sure its staff are aware of how they can promote their personal safety. S&U is engaged in the motor finance field 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 12 of cars purchased, 8 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 2015 to 31 January 2016.

Greenhouse gas emissions data

For period 1 February 2015 to 31 January 2016

	Tonnes CO_2 Year ended 31 Jan 2016	Year ended 31 Jan 2015
Scope 1 (Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	226	446
Gas consumption	6	11
Air conditioning systems	27	44
Scope 2 (Energy indirect emissions)		
Purchased electricity	84	159
Total scope 1 and 2	343	660
Scope 3 (Other indirect emissions)		
Water consumption	1	1
Waste	2	3
Total scope 1, 2 and 3	346	664
Company's chosen intensity measurement:		
Normalised tonnes scope 1, 2 and 3 CO^2e per £m turnover	5.5	8.9

Gas and electricity usage is based on consumption recorded on purchase invoices. Vehicle fuel usage is based on expense claims and recorded mileage, which has reduced since the disposal of our home credit business.

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

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food & Rural Affairs ("DEFRA"). We have also utilised DEFRA'S 2014 conversion factors within our reporting methodology.

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

Our carbon footprint is reducing mainly due to the disposal of our Home Credit operation but also due partly to our concerted effort to reduce our carbon footprint.

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
22 March 2016

S&U IN THE COMMUNITY

Throughout our business, the secret of S&U's success lies in the close ties it has with its 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.

"NICE, Centre for Movement Disorders would like to sincerely thank S&U Plc for their generous and longstanding support over the years which helps to transform the lives of disabled children and adults. S&U are one of NICEs major corporate supporters and in total this year have donated £6,000 towards event sponsorship and contributed a further £2,500 from the Keith Coombs Trust towards the charity's free services for children aged 0-5 years."

nice

BIRMINGHAM ROYAL BALLET

CUSTOMER TESTIMONIAL

"Birmingham Royal Ballet is proud to have the support of S&U plc. For more than a decade S&U plc has supported Birmingham Royal Ballet which is the UK's only large-scale ballet company outside London. Led by the glob ally-renowned team of David Bintley and Koen Kessels, BRB has an extensive touring network internationally, with a repertory of highly distinctive and critically acclaimed productions. The company is a prolific creator of new dance and music, bringing together internationally renowned choreographers, designers and composers and working with international companies such as the National Ballet of Japan and Houston Ballet. BRB supports vocational training through its Cadbury Dance Fellowship and works closely with the Royal Ballet School and the Elmhurst School for Dance. Its outreach and schools programme engages 14,500 young people annually."

Geoff Sweeney
Birmingham Royal Ballet

B1 Board of 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. He is a director and trustee of a number of companies and charities..

Graham Coombs MA (Oxon) MSc (Lon)

(Deputy Chairman)

Joined S&U after graduating from London Business School in 1976. 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 16 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.

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 thirty years, specialising in corporate finance. He is the senior independent Director.

Graham Pedersen

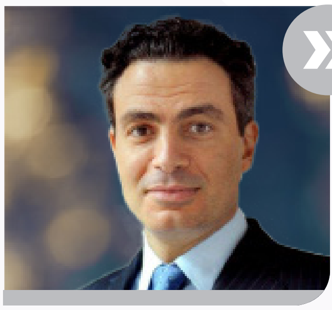
(Non-executive)
(Nominations, Audit and Remuneration Committees)

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

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.



Tarek Khlat

(Non-executive)
(Nominations, Audit and Remuneration Committees)

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

B2 Directors' Remuneration Report

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

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2016. 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.

The Company's forward looking Remuneration Policy was approved with a binding vote at AGM on 20 May 2014. A copy of our full Remuneration Policy Report is on our website www.suplc.co.uk.

To reflect the requirements of the remuneration reporting regulations this Report is presented in two 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 2016 and the context in which those decisions and changes were made.

2. Annual Remuneration Report

This section provides details of the amounts earned in respect of the year ended 31 January 2016 and how the Remuneration Policy will be operated for the year commencing 1 February 2016. This is subject to an advisory vote at the 2016 AGM.

The Companies Act 2006 requires the auditor to report to the Shareholders on certain indicated parts of the Annual Remuneration Report (section 2) and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Regulations. The Annual Statement is not subject to audit.

2015/16 key decisions and pay outcomes

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

The year ending 31 January 2016 was transformational for growth and prospects of the Company. In August the successful sale of the Home Credit business generated a one-off profit of £50.1m alongside underlying profit growth of 32% and revenue growth of 25%. Record growth in profitability and financial strength was underpinned by another record year at our Advantage motor finance business.

Recognising the time and commitment spent supporting the disposal of the Home Credit business, the Remuneration Committee awarded the following bonuses on successful completion of the sale: cash bonus of £100,000 to Chris Redford (plus 10,000 options under the LTIP that are exercisable, half 3 years from the date of grant and half 4 years from the date of grant), £75,000 to Mike Mullins and £67,000 to Mike Thompson. As a result of the sale both Mike Mullins and Mike Thompson transferred with the Home Credit business and consequently resigned as directors of the Company on 4 August and, in line with the change of control provisions, all their outstanding LTIP and DSOP awards vested in full.

Based on the underlying profit performance of the Group and Advantage, the Remuneration Committee adjudged the annual bonus target had been met in full (after adjusting for the impact of the sale of the Home Credit business). However, in light of the above bonuses and the overall policy limit the Remuneration Committee scaled back the bonus award to Chris Redford to £20,000. Anthony Coombs and Graham Coombs received a bonus payment of £25,000 and Guy Thompson a payment of £75,000 reflecting the achievement of the Advantage bonus target.

During the year Chris Redford, Mike Mullins and Mike Thompson were granted 2,000 options each under the LTIP. Taking due regard for performance of the Company and the contribution of the individuals the Remuneration Committee concluded that the options awarded to Mike Mullins and Mike Thompson should vest in full on the sale of the Home Credit business. After adjusting for the impact of the transaction the PBT was met and consequently Chris Redford's LTIP award vested in full, although this award will continue to be subject to continued employment to the third anniversary of the date of grant.

Although both of Chris Redford's LTIP awards are subject to continued employment, the value of the shares vesting by reference to performance during the year ending 31 January 2016 is shown in the single figure of remuneration based on a three month average share price (to 4 August 2015 for the 10,000 LTIP option vesting in respect of the disposal and to 31 January 2016 for the 2,000 LTIP options vesting in respect of PBT performance in the year).

In addition, based on the profit performance and new motor finance contracts for Advantage Finance, 20% of Guy Thompson's LTIP awards granted on 3 October 2012 and 24 May 2013 vested, although these awards will be subject to continued employment until 29 August 2018. The value of shares vesting is also based on a three month average share price.

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 2017

The Remuneration Policy is due for renewal at the AGM in 2017 and the Remuneration Committee will be conducting a full review of the Policy during the year. However, the fundamental structure of the package remains unchanged for the year ending January 2017:-

- No increase to base salary was awarded to Anthony Coombs, Graham Coombs or Chris Redford for the year ending January 2017. A 7% increase was awarded to Guy Thompson, this award reflects the excellent ongoing performance of Advantage Finance, and Guy Thompson's continued contribution to the group.
- The maximum annual bonus opportunity for the year ended 2017 is £50,000 for Anthony Coombs and Graham Coombs, £60,000 for Chris Redford; and £100,000 for Guy Thompson. The annual bonus will continue to be assessed against stretching divisional and group PBT targets.
- There is currently no intention to grant options under the LTIP or DSOP for the year ending 31 January 2017. The Remuneration Committee will fully review the Remuneration Policy during the year and will be putting a new Remuneration Policy to shareholders at the AGM in 2017. For the coming year, the Remuneration Committee considers that outstanding LTIP and DSOP awards provide sufficient shareholder alignment for Chris Redford and Guy Thompson and that the significant shareholdings held by Graham Coombs and Anthony Coombs similarly provides adequate alignment to shareholders.

The Remuneration Committee continues to welcome Shareholder feedback on their remuneration decisions or on any issue related to executive remuneration.

I commend this report to Shareholders and ask that you support the resolution to approve the Company's Annual Remuneration Report at the Company's AGM on 17 May 2016.

Keith Smith
Chairman of the Remuneration Committee
22 March 2016

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Directors’ Remuneration Report continued

B2.2 ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2016. Certain elements of the Annual Remuneration Report are subject to audit and this has been highlighted at the start of each section.

Remuneration Committee (this section is not subject to audit)

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Remuneration Committee are Mr G Pedersen, Mr D Markou, Mr T Khlat 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 Group 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 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 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 £6,575. The Remuneration Committee is satisfied that all advice received was objective and independent.

Single Figure Tables (this section is subject to audit)

The table below sets out in a single figure the total amount of remuneration including each component received by each of the directors for the year ended 31 January 2016

	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	63	333	36	-	25	-	394
GDC Coombs	63	307	22	-	25	-	354
CH Redford	51	200	19	39	20	293	571
JG Thompson	60	300	24	39	75	426	864
MJ Mullins (resigned 4 August 2015)	58	88	9	9	75	49	230
MJ Thompson (resigned 4 August 2015)	52	80	8	8	67	49	212
Non-executive directors							
KR Smith	77	33					33
D Markou	72	30					30
F Coombs	47	30					30
G Pederson (joined 18 Feb 15)	61	29					29
Total		**1,430**	**118**	**95**	**287**	**817**	**2,747**

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 2015

	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	313	27	-	50	-	390
GDC Coombs	288	17	8	50	-	363
CH Redford	188	20	24	60	48	340
JG Thompson	275	25	36	75	388	799
MJ Mullins	166	11	16	30	64	287
MJ Thompson	153	16	15	10	-	194
Non-executive directors						
KR Smith	32					32
D Markou	29					29
K Innes Ker (resigned Oct 14)	22					22
F Coombs	29					29
Total	1,495	116	99	275	500	2,485

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Directors' Remuneration Report
continued

Salaries & fees	The amount of salary / fees received in the period.
Allowances and benefits	The taxable value of benefits received in the period. These are company car or allowance, private fuel, life insurance and private medical insurance.
Pension	The pension figure represents the cash value of pension contributions received by the executive directors. This includes the Company's contributions to the defined contribution pension scheme and any salary supplement in lieu of a Company pension contribution.
Annual Bonus	Annual bonus is the value of the 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 19.
Share incentive plans (DSOP/LTIP)	For the year ending 31 January 2016:- 20% of the 65,000 LTIP options granted to J G Thompson on 24 May 2013 (i.e. 13,000 shares) and 20% of the 25,000 LTIP options granted on 3 October 2012 (i.e. 5,000 shares) vested in respect of performance to 31 January 2016 as the divisional PBT and new motor finance contract targets for Advantage Finance were achieved. Although both these LTIP options are also subject to continued employment until 29 August 2018, the value of the shares vesting by reference to performance to 31 January 2016 is shown above based on the three month average share price to 31 January 2016. LTIP options over 2,000 shares granted to Chris Redford during the year to 31 January 2016 vested in full as the Group PBT target of £27million for the year was achieved, adjusted for the impact of the disposal of the Home Credit Business. These awards will be subject to further continued employment to 1 May 2018, the value shown in the single figure table is therefore based on the three month average share price to 31 January 2016. In addition the 10,000 shares granted to Chris Redford vesting in full on the completion of the sale of the Group's Home Credit business. As described above, these options are subject to continued employment such that 50% of the award will vest on 4 August 2018 and the remaining 50% will vest on 4 August 2019, the value shown in the single figure table is therefore based on the three month average share price to 4 August 2015. The LTIP options over 2,000 shares granted to Mike Mullins and Mike Thompson during the year to 31 January 2016 vested in full on 4 August 2015. In line with the LTIP change of control provisions and having due regard to performance and the contribution of the individuals, the Remuneration Committee concluded that these awards should vest in full, the value shown in the single figure table is therefore based on the share price on 4 August 2015. For the year ended 31 January 2015 comparative figures the value of options vesting under the share incentive plans has been calculated as follows: CH Redford: LTIP options over 2,000 shares and the DSOP options over 600 shares granted during the year to 31 January 2015 vested in full as the Group PBT target of £22.0million 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 2015 is shown above based on the three month average share price to 31 January 2015 less the exercise price payable. JG Thompson: LTIP options over 2,500 shares and the DSOP options over 450 shares granted during the year to 31 January 2015 vested in full as the divisional PBT target 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 2015 is shown above based on the three month average share price to 31 January 2015 less the exercise price payable. In addition 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 2015. 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 2015. 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 2015 is shown above based on the three month average share price to 31 January 2015 less the exercise price payable. MJ Mullins: LTIP options over 2,000 shares and the DSOP options over 1450 shares granted during the year to 31 January 2015 vested in full as the divisional PBT target 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 2015 is shown above based on the three month average share price to 31 January 2015 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 2016).

Base salary and fees

Base salaries for individual executive directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. Non-executive directors will continue to receive directors' fees in line with market. For the year ending 31 January 2016, the range of salary increases to executive directors was between 4.6% and 6.4%, other than Guy Thompson who received an 8% increase to reflect the continuing excellent performance of Advantage and his experience and contribution to the Group.

For the year ending 31 January 2017, there were no increases to executive director salaries other than to Guy Thompson, who received an increase of 7% reflecting the continued excellent performance of Advantage as well as the new structure of the board.

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

Executive director	Base salary for year to 31 January 2016 £000	Base salary for year to 31 January 2017 £000	Increase %
AMV Coombs	333	333	0%
GDC Coombs	306.5	306.5	0%
CH Redford	200	200	0%
JG Thompson	300	320	6.7%
MJ Mullins	175	Left the Company on 4 August 2016	n/a
MJ Thompson	160	Left the Company on 4 August 2016	n/a

The remuneration policy for non-executive directors is determined by the Board. Fees were reviewed in 2015 and 2016 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	2014/15	2015/16	2016/17
Basic fee	£29,000	£30,000	£30,000
Additional fee for – Senior Independent Non-executive director	£3,000	£3,000	£3,000

Annual bonus

For the year ending 31 January 2016, 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 2016 together with the Group PBT targets and details of the actual bonus earned.

	Performance targets*	Maximum bonus opportunity year ending 31 January 2016	Bonus pay-out % of maximum (actual PBT)	Actual bonus earned for the year ending 31 January 2016
AMV Coombs	Group PBT target (£27m)	£50,000 – scaled back to £25,000	100%	£25,000
GDC Coombs	Group PBT target (£27m)	£50,000 – scaled back to £25,000	100%	£25,000
CH Redford	Group PBT target (£27m)	£60,000 – scaled back to £20,000	100%	£20,000
JG Thompson	Advantage Finance PBT target	£75,000	100%	£75,000
MJ Mullins	S&U Home Credit PBT target	£30,000	0%	£0
MJ Thompson	S D Taylor Home Credit PBT target	£30,000	0%	£0

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

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Directors' Remuneration Report
continued

Taking into account the impact of the sale of the Home Credit business the Remuneration Committee concluded that the Group PBT had been met. Having due regard to the transaction bonuses discussed below, the Remuneration Committee exercised its discretion to limit the bonus payable to Chris Redford to £20,000 and apply a similar adjustment to the bonus payment to Anthony Coombs and Graham Coombs.

As disclosed in shareholder circular to the general meeting of the Company on 4 August 2015, in recognition of the time and commitment spent support and delivering the disposal of the Home Credit business, the Remuneration Committee exercised the discretion afforded to it in the Remuneration Policy to award bonuses to certain executive directors as set out in the table below:

	Performance targets	Maximum bonus opportunity year ending 31 January 2016	Bonus pay-out % of maximum	Actual bonus earned for the year ending 31 January 2016	Total bonus earned for the year ending 31 Janary 2016
CH Redford	Successful sale of the Home Credit business	£100,000	100%	£100,000	£120,000
MJ Mullins		£75,000	100%	£75,000	£75,000
MJ Thompson		£67,000	100%	£67,000	£67,000

Annual bonus in 2016/17

For the year ending 2017, the maximum annual bonus opportunity is £50,000 for Anthony Coombs and Graham Coombs; £60,000 for Chris Redford and £100,000 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)

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	1 May 2015	20%	2,000	£40,840	Full vesting once the PBT performance target for the financial year is satisfied	Financial year to 31 January 2016
Mike Mullins	1 May 2015	23%	2,000	£40,840		
Mike Thompson	1 May 2015	26%	2,000	£40,840		
Chris Redford	4 August 2015	123%	10,000	£246,000	Successful completion of the sale of the Home Credit business	

*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 and the performance conditions were as follows:

- Chris Redford's award was based on the achievement of a Group PBT of £27m for the year ended 31 January 2016.
- Mike Mullin's award was based on the achievement of a PBT target for S&U Home Credit for the year ended 31 January 2016.
- 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 2016.

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.

In light of Chris Redford's outstanding and instrumental contribution to the sale of the Home Credit business during the year, the Remuneration Committee granted him a further exceptional LTIP award over 10,000 shares on 4 August 2015 (based on the share price at the date of grant, this is an award over 123% of salary). Vesting of the awards was conditional on the successful completion of the sale. The awards are subject to continued employment such that 50% of the award will vest on 4 August 2018 and the remaining 50% will vest on 4 August 2019.

Awards vesting based on performance in respect the year ended 31 January 2016

Details of awards vesting based on performance in respect of the year ended 31 January 2016 have been included in the notes to the single tables on page 18.

Awards for 2016/17

There is no intention to grant options under the LTIP or DSOP for the year ending 31 January 2017. The Remuneration Committee will be fully reviewing the Remuneration Policy during the year and will be putting a new Remuneration Policy to shareholders at the AGM in 2017. For the year ending 31 January 2017, the Remuneration Committee considers that outstanding LTIP and DSOP awards provide sufficient shareholder alignment for Chris Redford and Guy Thompson and that the significant shareholders held by Graham Coombs and Anthony Coombs similarly provides adequate alignment to shareholders.

Total pension entitlements (this section is subject to audit)

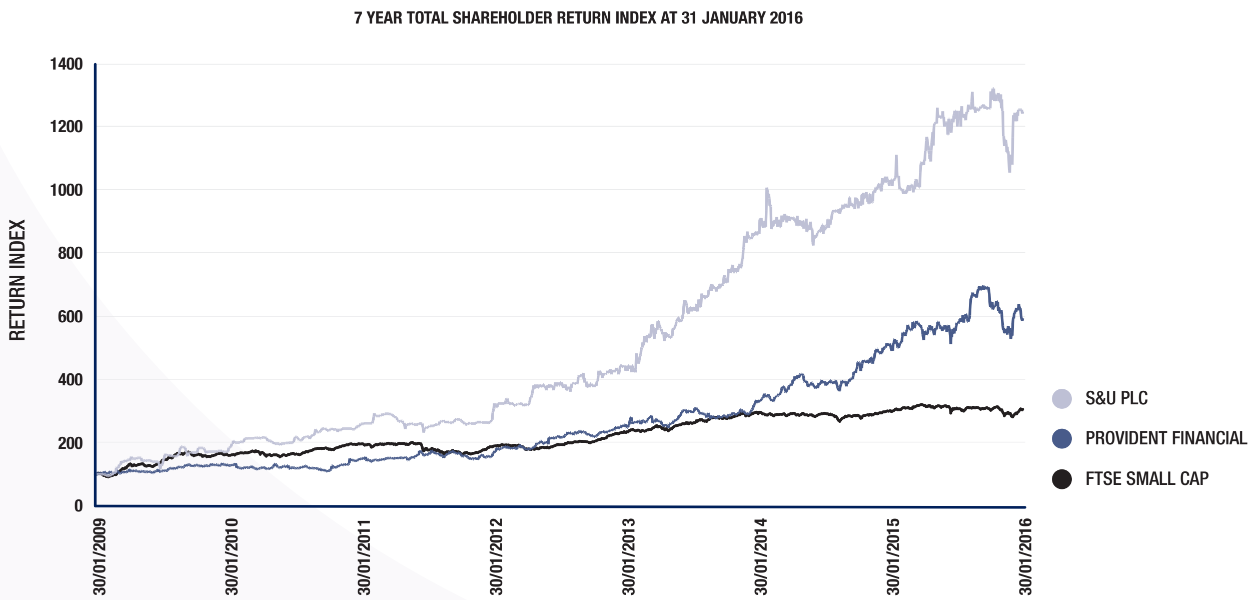
The Group makes contributions into a defined contribution scheme on behalf of JG Thompson, MJ Mullins, MJ Thompson, and CH Redford. None of the directors has accrued benefits under the defined benefit scheme.

Director	Defined contribution £000	Percentage of Salary %
CH Redford	39*	19.5%
JG Thompson	39	13%
MJ Mullins	8	10%
MJ Thompson	9	10%

*This includes a one-off pension contribution to Chris Redford of £10,000.

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 six 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.



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Directors' Remuneration Report
continued

Executive Chairman Remuneration for previous six 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)
2016	394	100%	n/a
2015	390	100%	n/a
2014	370	100%	n/a
2013	445	50%	71%
2012	436	100%	100%
2011	360	100%	n/a
2010	337	57%	n/a

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

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

Element	Executive Chairman	Wider Workforce
Base salary	6%	4%
Allowances and benefits	0%	n/a
Bonus	-50%*	4%

*Anthony Coombs received a bonus of £50,000 for the year ending 31 January 2015 and a bonus of £25,000 for the year ending 31 January 2016.

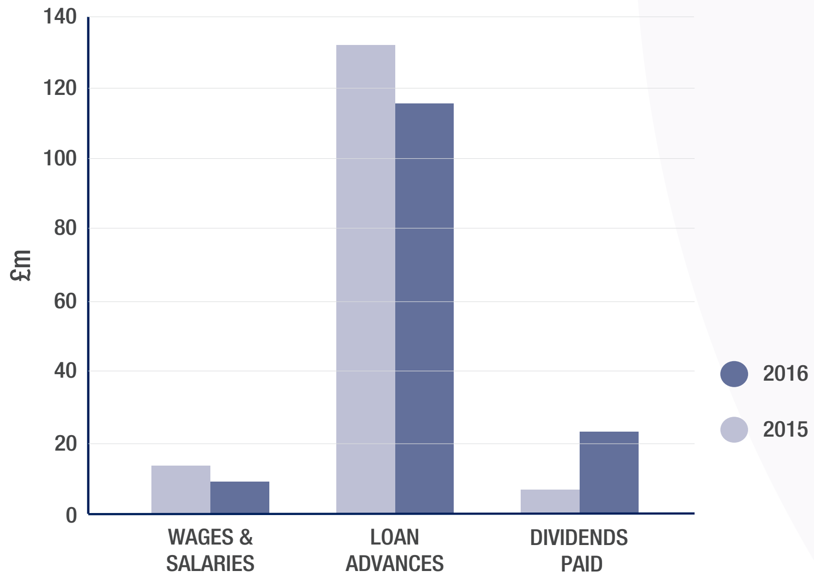
Relative Importance of Spend on Pay (this section is not subject to audit)

The graph presented shows the relative importance of spend on pay against other cash outflows of the Group for the years ending 31 January 2016 and 31 January 2015. Given the nature of the Group's business, the other significant outflows for the Group are loan advances and dividends payable.

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

There were no loss of office payments made during the year ended 31 January 2016. The arrangements for Mike Mullins and Mike Thompson upon the disposal of the Home Credit business have been set out earlier in this report.

ANNUAL EXPENDITURE JANUARY 2016 V JANUARY 2015



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 2016.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2016
AMV Coombs	Shares	1,335,027				1,335,027
	LTIP				5,000	5,000
	DSOP					–
GDC Coombs	Shares	1,562,207				1,562,207
	LTIP					–
	DSOP					–
CH Redford	Shares	6,095				6,095
	LTIP			32,000		32,000
	DSOP			2,100		2,100
JG Thompson	Shares	–				–
	LTIP		36,000	56,000		92,500
	DSOP			450		450
M Mullins	Shares	–				–
(resigned 4 August 2015)	LTIP					–
	DSOP					–
MJ Thompson	Shares	–				–
(resigned 4 August 2015)	LTIP					–
	DSOP					–
Non-executive directors						
KR Smith	Shares	26,600				26,600
D Markou	Shares	4,500				4,500
G Pedersen	Shares	0				0
F Coombs	Shares	33,550				33,550

Shareholder vote on January 2015 Remuneration Report (this section is not subject to audit)

The table below shows the voting outcome at the 20 May 2015 AGM for the 2015 Directors Remuneration Report (advisory)

	Number of votes "For" and "Discretion"	% of votes cast	Number of votes "Against"	% of votes cast	Total Number of votes cast	Number of votes "withheld"
Annual Report on Remuneration	4,349,774	99.99%	256	0.01%	4,350,030	0

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.

Approval

This report section B2 of the Annual Report and Accounts including both the Remuneration Policy Summary and The Annual Remuneration Report was approved by the Board of Directors on 22 March 2016 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 Mr G Pedersen, Mr D Markou, Mr T Khlat 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 committee is chaired by Mr D Markou. Graham Pedersen joined the Audit Committee when he was appointed to the Board on 18th February 2015 and Tarek Khlat joined the Audit Committee when he was appointed to the Board on 21st March 2016. Meetings are held not less than twice a year normally in conjunction with the interim and full year financial reports issued in September and March. The external auditors or individual members of the Audit Committee may request a meeting if they consider one is necessary and the Committee ensure that discussions are held with the external auditors without executive Board members present. During the year ending 31 January 2016 four meetings were held including Audit planning meetings.

Significant Issues related to the financial statements

The significant issues and areas of judgement considered by the Audit Committee in relation to the 2016 Financial Statements were as follows;

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 39

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

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

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

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

a) The work performed by management and by Deloitte in validating the data used and their challenge of the assumptions used by management; and

b) The findings in light of current trading performance and expected future trading performance.

Revenue Recognition – see also accounting policy 1.3 on page 39

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

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

a) The work performed by management and by Deloitte as part of their external audit, including their challenge of the assumptions used by management; and

b) The findings in light of current trading experience and expected future trading experience.

External Audit

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

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

S&U plc is not currently a FTSE 350 Company and therefore not required to put its Audit arrangements out to tender on a periodic basis. Nevertheless both the Audit Committee and Deloitte have put in place safeguards to ensure that the independence and objectivity of the external auditor. Further it is formulating a policy governing the external auditors' engagement for non-audit services. This year Deloitte provided such services to the Group in the course of the disposal of the Home Credit division. The Audit Committee has reviewed this to ensure that neither the level nor the nature of the services provided in any way influenced the objectivity and rigor of the external auditors' opinion on the Group's financial statements. Fees paid to the external auditor are shown in note 6 to the accounts. Overall the fees paid to the external auditor for non-audit services were £824,000 2015: £70,000). In accordance with this policy the Audit Committee ensured no external service provided by the auditors involved it in management of functions or decision making or in influencing managements view on the adequacy of internal controls or financial reporting. If it were to be material to the Group, any Corporate Finance or other advice that Deloitte provided during the year would be reviewed by the Audit Committee to ensure that they did not compromise the auditing function of Deloitte in any way.

Internal Audit

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

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

Demetrios Markou
Chairman of the Audit Committee
22 March 2016

B3 Governance continued

B3.2 Corporate Governance

The latest version of the UK Corporate Governance Code was issued by the Financial Reporting Council in September 2014. The Code sets out Provisions for Good Corporate Governance along with a series of supporting principles.

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

Narrative Statement

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

Leadership

During the year the Company was controlled through the Board of Directors which at 31 January 2016 comprised four executive and four non-executive directors. An additional Non Executive director was subsequently appointed on 21st March 2016. The Chairman is mainly responsible for the running of the Board. He has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. He is also responsible for co-ordinating the Company's business and implementing Group strategy. The Chairman and Deputy Chairman are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media.

The Board has a formal schedule of matters reserved to it and meets at least six times a year with monthly circulation of papers. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the business. This includes its code of conduct, its annual budgets, its progress towards achievement of those budgets and its capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. The Board reviews the performance of the directors and committees. The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. Advantage Finance is managed by 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 nor Mr Markou have any other cross directorships or other significant commercial links with other directors. In addition, their financial, business and stock market training and experience are considered invaluable to the Board. Graham Pedersen was appointed to the Board in February 2015 and brings a wealth of experience to the S&U board both as a regulator and a banker. The Board has designated Mr KR Smith as Senior Independent Director. In March 2016, Tarek Khlat, a Banker, FCA Approved Person and Wealth Manager of great experience and expertise was appointed to the Board.

From 21st March 2016 onwards, although exempt as a "smaller company" outside the FTSE 350, S&U plc comply with the code requirement for at least half the Board, excluding the Chairman, to be independent non-executive directors. For this purpose Fiann Coombs is not considered to be independent by virtue of his close association with family shareholders, and therefore does not sit on Board Committees. The Nominations Committee, chaired by Mr. K.R. Smith, comprises the independent non-executive directors and Mr. A.M.V. Coombs, Group Chairman. Audit and Remunerations Committees are made up of the four independent non-executive directors and chaired by Mr. D. Markou and Mr K.R. Smith respectively.

Effectiveness

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

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

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

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

Accountability

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Chairman's Report. The Board uses this, together with the Strategic Report within pages 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 30 and those of the auditor on page 34.

Internal Control

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

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

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place for the year under review and up to the date of approval of the report and financial statements. The process is regularly reviewed by the Board and accords with the revised guidance in the UK Corporate Governance Code.

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

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

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

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

Relationship with Auditor

The Audit Committee has specific terms of reference which deal with its authority and duties. It meets at least twice a year with the external auditor attending by invitation in order that the Committee can review the external audit process and results. The Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures, accounting policies and financial reporting and provides a forum through which the Group's external auditor reports to the non-executive directors. The Committee assists the Board in discharging its duties to ensure the financial statements meet legal requirements, and also reviews the independence of the external auditor. This is assessed through examination of the nature and value of non-audit services performed during the year. The value of non-audit services is disclosed on page 43 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 services relating to the Home Credit disposal. The objectivity and independence of the auditor has been safeguarded by all work being completed by partners and staff who, whilst having specialist knowledge of the sector, have no involvement in the audit of the financial statements, other than for audit related assurance services.

Equality and Diversity

The Group is committed to ensuring that existing members of staff, job applicants, or workers are treated fairly in an environment which is free from any form of discrimination. The Group will always wish to ensure appointments reflect the best skills available for the role. Currently women hold 15% of senior management positions and 65% of other employee positions and during the year no female director served on the Board.

B3 Governance continued

The attendance of individual directors at the regular meetings of the Board and its committees during the year ended 31 January 2016 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	**10**	**2**	**3**	**4**
AMV Coombs	10	1	na	na
GDC Coombs	10	na	na	na
KR Smith	9	2	3	4
D Markou	10	2	3	4
G Pedersen (Appointed 15.2.2015)	9	1	3	4
F Coombs	10	na	na	na
JG Thompson	9	na	na	na
MJ Mullins (Resigned 4.8.2015)	8	na	na	na
MJ Thompson (Resigned 4.8.2015)	8	na	na	na
CH Redford	10	na	na	na

* Mr Tarek Khlat was appointed on 21 March 2016 and so was not eligible to attend any meetings during the year to 31 January 2016.

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 pages 14 to 23.

Relations with Shareholders

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

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

B3.3 Compliance Statement

Throughout the year ended 31 January 2016 the Company has been in compliance with the Code Provisions set out in the September 2014 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 relevant divisions including currently Motor Finance. 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 2016.

Dividends

Dividends of £23,090,000 (2015: £6,734,000) were paid during the year.

After the year end a second interim dividend for the financial year of 23.0p per ordinary share (2015: 19.0p) was paid to shareholders on 18 March 2016.

The directors now recommend a final dividend, subject to shareholders approval of 33.0p per share (2015: 30.0p). This, together with the interim dividends of 43.0p per share (2014: 36.0p) already paid, makes a total dividend for the year of 76.0p per share (2015: 66.0p). An additional exceptional dividend of 125.0p per share was also paid in November 2015 from the proceeds of disposal of our home credit business.

Substantial Shareholdings

At 21 March 2016, the Company had been notified of the following interests of 3% or more in its issued ordinary share capital (excluding those of the directors disclosed above):

Shareholder	No. of shares	% of share capital
Jennifer Coombs	2,355,698	19.7%
Wiseheights Limited	2,420,000	20.3%

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued shared capital during the year are shown in note 20. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The cumulative preference shares carry 6% interest but do not carry voting rights.

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

Employees

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

Auditor

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

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

Post Balance Sheet Events

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.

Information Presented in Other Sections

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

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

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

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

Chris Redford
Company Secretary
22 March 2016

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
22 March 2016

Chris Redford
Group Finance Director
22 March 2016

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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 2016 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 and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the group	As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the strategic report on page 8 and the directors' statement on the longer-term viability of the group contained within the strategic report on page 8. We have nothing material to add or draw attention to in relation to: › the directors' confirmation on page 8 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity; › the disclosures on page 7 that describe those risks and explain how they are being managed or mitigated; › the directors' statement on page 8 about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; › the director's' explanation on page 8 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.
Independence	We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.
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:

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

Risk	How the scope of our audit responded to the risk
Provision for impairment losses against loans and receivables The assessment of Advantage Finance's calculation of the £24.3 million (2015: £21.3 million) provision for impairment losses against loans and receivables is complex and requires management to make significant judgements regarding the level and timing of future cash flows to be received from customers. Changes to these assumptions can have a material impact on the impairment provision. We therefore focus our work on assessing the appropriateness of these assumptions. The significant judgements made by management are set out in the critical accounting judgements and key sources of estimation uncertainty on page 41 and the quantum of the provision is set out in note 15 to the financial statements.	In conjunction with our internal IT specialists we have tested the controls over the loan administration systems and the manner in which data is extracted from these systems to determine impairment. We also evaluated the design and implementation of controls over management review of the provision for impairment losses against loans and receivables. We challenged the appropriateness of the key management 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 default and cash collection experience and benchmarking the key assumptions to external economic and industry data. 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 model which is used to determine the provision by agreeing a sample of model inputs back to underlying source data.
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. It requires management to make significant judgements relating to the expected life of each loan and the cash flows related thereto, with accounting entries generated using complex spreadsheet models. Changes to these assumptions could significantly impact the level of income recognised in any given period. We therefore focus our work on assessing both the appropriateness of the estimated behavioural lives and the expected future cashflows. The significant judgements made by management are set out in the critical accounting judgements and key sources of estimation uncertainty on page 41.	In conjunction with our internal IT specialists we have tested the controls over the loan administration systems and the manner in which data is extracted from these systems to determine the effective interest rate. We also evaluated the design and implementation of controls over revenue recognition. 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. We considered the assumptions in respect of future cash flows by reference to the group's historical experience. We challenged the level of directly attributable dealer costs being deferred through management's model. 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 sensitivity of changing the average lives. We also tested the mechanical accuracy of the model which is used to determine revenue by agreeing a sample of model inputs back to underlying source data.

The description of the above risks should be read in conjunction with the significant issues considered by the Audit Committee, as discussed on page 24.

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

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 £1.7 million (2015: £1.7 million), which is 7.5% of profit before tax and exceptional items (2015: 7.5% of profit before tax) and below 1% (2015: 1%) of equity. Profit before tax is adjusted for the exceptional profit on sale of the home collect credit business and we have used profit before tax as the basis for materiality because it is the key performance measure for the Group's stakeholders. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £33,000 (2015: £35,000), 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. Our audit work on the principal trading subsidiaries comprised statutory audits which were executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £0.9 million to £1.4 million (2015: £0.2 million to £1.3 million).
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 (2015: 100%), 100% of the Group's revenue (2015: 100%) and 100% of the Group's pre-tax profit (2015: 100%). Both locations were audited directly by the Group audit team. 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.

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

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 certain 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.

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). 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 focused 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
22 March 2016

D1 The Accounts

D1.1 Group Income Statement

Year ended 31 January 2016

	Notes	2016 £000	Restated 2015[1] £000
Continuing Operations			
Revenue	3	**45,182**	36,102
Cost of sales	4	**(16,591)**	(12,537)
Gross profit		**28,591**	23,565
Administrative expenses		**(7,340)**	(7,120)
Operating profit	6	**21,251**	16,445
Finance costs (net)	7	**(1,782)**	(1,680)
Profit before taxation	2	**19,469**	14,765
Taxation	10	**(3,583)**	(2,920)
Profit for the year from continuing operations		**15,886**	11,845
Profit for the year from discontinued operations	8	**53,299**	6,615
Profit for the year attributable to equity holders		**69,185**	18,460
Earnings per share			
From continuing operations			
Basic	12	**133.6p**	100.1p
Diluted	12	**132.4p**	99.0p
From continuing and discontinued operations			
Basic	12	**581.9p**	156.0p
Diluted	12	**576.5p**	154.3p

1 Restated to reflect the disposal of home credit which is now included above as discontinued operations

Statement of Comprehensive Income

	Group 2016 £000	Group Restated 2015[1] £000	Company 2016 £000	Company 2015 £000
Profit for the year attributable to equity holders	**69,185**	18,460	**74,040**	7,353
Actuarial loss on defined benefit pension scheme	**(34)**	(13)	**(34)**	(13)
Total Comprehensive Income for the year	**69,151**	18,447	**74,006**	7,340

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

D1.2

Balance Sheet

31 January 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
ASSETS					
Non current assets					
Property, plant and equipment	13	**1,149**	2,406	**124**	1,350
Investments	14	**–**	–	**1,951**	2,432
Amounts receivable from customers	15	**102,069**	74,070	**–**	101
Trade and other receivables	16	**–**	–	**70,000**	54,500
Retirement benefit asset	27	**–**	20	**–**	20
Deferred tax assets	19	**435**	285	**91**	68
		103,653	76,781	**72,166**	58,471
Current assets					
Inventories		**–**	59	**–**	59
Amounts receivable from customers	15	**43,072**	66,939	**–**	15,960
Trade and other receivables	16	**580**	645	**21,826**	15,264
Cash and cash equivalents		**18,251**	935	**20,906**	284
		61,903	68,578	**42,732**	31,567
Total assets		**165,556**	145,359	**114,898**	90,038
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	17	**(152)**	–	**–**	–
Trade and other payables	18	**(1,632)**	(2,684)	**(91)**	(1,543)
Current tax liabilities		**(3,046)**	(3,303)	**(532)**	(815)
Accruals and deferred income		**(2,020)**	(2,958)	**(649)**	(868)
		(6,850)	(8,945)	**(1,272)**	(3,226)
Non current liabilities					
Borrowings	17	**(30,000)**	(54,500)	**(30,000)**	(54,500)
Financial liabilities	21	**(450)**	(450)	**(450)**	(450)
		(30,450)	(54,950)	**(30,450)**	(54,950)
Total liabilities		**(37,300)**	(63,895)	**(31,722)**	(58,176)
NET ASSETS		**128,256**	81,464	**83,176**	31,862
Equity					
Called up share capital	20	**1,691**	1,685	**1,691**	1,685
Share premium account		**2,264**	2,215	**2,264**	2,215
Profit and loss account		**124,301**	77,564	**79,221**	27,962
Total equity		**128,256**	81,464	**83,176**	31,862

These financial statements were approved by the Board of Directors on 22 March 2016.

Signed on behalf of the Board of Directors

A M V Coombs
Chairman

C Redford
Group Finance Director

D1.3

Statement of Changes in Equity

Year ended 31 January 2016

Group	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2014	1,677	2,215	65,518	69,410
Profit for year	–	–	18,460	18,460
Other comprehensive income for year	–	–	(13)	(13)
Total comprehensive income for year	–	–	18,447	18,447
Issue of new shares in year	8	–	–	8
Cost of future share based payments	–	–	456	456
Tax credit on equity items	–	–	(123)	(123)
Dividends	–	–	(6,734)	(6,734)
At 31 January 2015	1,685	2,215	77,564	81,464
Profit for year	–	–	69,185	69,185
Other comprehensive income for year	–	–	(34)	(34)
Total comprehensive income for year	–	–	69,151	69,151
Issue of new shares in year	6	49	–	55
Cost of future share based payments	–	–	681	681
Tax charge on equity items	–	–	(5)	(5)
Dividends	–	–	(23,090)	(23,090)
At 31 January 2016	1,691	2,264	124,301	128,256

Company	£000	£000	£000	£000
At 1 February 2014	1,677	2,215	27,289	31,181
Profit for year	–	–	7,353	7,353
Other comprehensive income for year	–	–	(13)	(13)
Total comprehensive income for year	–	–	7,340	7,340
Issue of new shares in year	8	–	–	8
Cost of future share based payments	–	–	137	137
Tax credit on equity items	–	–	(70)	(70)
Dividends	–	–	(6,734)	(6,734)
At 31 January 2015	1,685	2,215	27,962	31,862
Profit for year	–	–	74,040	74,040
Other comprehensive income for year	–	–	(34)	(34)
Total comprehensive income for year	–	–	74,006	74,006
Issue of new shares in year	6	49	–	55
Cost of future share based payments	–	–	390	390
Tax charge on equity items	–	–	(47)	(47)
Dividends	–	–	(23,090)	(23,090)
At 31 January 2016	1,691	2,264	79,221	83,176

D1.4

Cash Flow Statement

Year ended 31 January 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Net cash generated used in operating activities	23	**(16,017)**	(13,404)	**(12,724)**	(15,294)
Cash flows (used in)/from investing activities					
Proceeds on disposal of property, plant and equipment		**1,685**	34	**1,428**	24
Purchases of property, plant and equipment		**(869)**	(1,130)	**(447)**	(529)
Net proceeds on disposal of subsidiary		**79,900**	–	**79,900**	–
Net cash generated from/(used in) investing activities		**80,716**	(1,096)	**80,881**	(505)
Cash flows (used in)/from financing activities					
Dividends paid		**(23,090)**	(6,734)	**(23,090)**	(6,734)
Issue of new shares		**55**	8	**55**	8
Receipt of new borrowings		**4,500**	30,000	**4,500**	30,000
Repayment of borrowings		**(29,000)**	(5,500)	**(29,000)**	(5,500)
Net increase/(decrease) in overdraft		**152**	(2,351)	**–**	(1,701)
Net cash (used in)/from financing activities		**(47,383)**	15,423	**(47,535)**	16,073
Net increase in cash and cash equivalents		**17,316**	923	**20,622**	274
Cash and cash equivalents at the beginning of year		**935**	12	**284**	10
Cash and cash equivalents at the end of year		**18,251**	935	**20,906**	284
Cash and cash equivalents comprise					
Cash and cash in bank		**18,251**	935	**20,906**	284

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2015: £nil).

D2 Notes to the Accounts

Year ended 31 January 2016

1. Accounting Policies

1.1 General Information

S&U plc is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page IBC 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 2016. 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:

IAS 19 (amendments)	Employee Benefits

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
IFRS 15	Revenue from contracts with customers

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.

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.

D2 Notes to the Accounts continued

Year ended 31 January 2016

1. Accounting Policies continued

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default 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 Taxation

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

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

1.7 Preference shares

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

1.8 Pensions

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

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

1.9 Share-based payments

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

1.10 Leases

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

1.11 Investments

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

1.12 Critical accounting judgements and key sources of estimation uncertainty

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 from continuing operations are stated below:

	Revenue		Profit before taxation	
Class of business	Year ended 31.1.16 £000	Year ended 31.1.15 £000	Year ended 31.1.16 £000	Year ended 31.1.15 £000
Motor finance	**45,182**	36,102	**20,400**	16,715
Central costs net of central finance income	**–**	–	**(931)**	(1,950)
	45,182	36,102	**19,469**	14,765

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

	Assets		Liabilities	
Class of business	Year ended 31.1.16 £000	Year ended 31.1.15 £000	Year ended 31.1.16 £000	Year ended 31.1.15 £000
Motor finance	**146,930**	108,477	**(102,252)**	(75,748)
Central	**18,626**	533	**64,952**	15,067
Discontinued home credit	**–**	36,349	**–**	(3,214)
	165,556	145,359	**(37,300)**	(63,895)

Depreciation of assets for motor finance was £179,000 (2015: £129,000) and for central was £30,000 (2015: £34,000). Depreciation for discontinued home credit operations was £225,000 (2015: £440,000). Fixed asset additions for motor finance were £422,000 (2015: £601,000) and for central were £55,000 (2015: £nil). Fixed asset additions for discontinued home credit operations were £392,000 (2015: £529,000).

The net finance credit for central costs was £1,461,000 (2015: £527,000) and for motor finance was a cost of £3,243,000 (2015: £2,207,000). The tax credit for central costs was £497,000 (2015: £524,000) and for motor finance was a tax charge of £4,080,000 (2014: £3,444,000). The tax charge for discontinued home credit operations was £932,000 (2015: £1,794,000).

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 central costs net of central finance income.

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

D2

D2 Notes to the Accounts continued

Year ended 31 January 2016

3. Revenue

Continuing Operations	2016 £000	2015 £000
Interest and acceptance fee income	42,848	33,093
Insurance and other commissions and option fees	2,334	3,009
Total revenue	45,182	36,102

4. Cost of Sales

Continuing Operations	2016 £000	2015 £000
Loan loss provisioning charge – motor finance	7,611	5,863
Other cost of sales – motor finance	8,980	6,674
Total cost of sales	16,591	12,537

5 Information Regarding Employees

Continuing Operations	2016 No.	Restated 2015 No.
The average number of persons employed by the Group in the year was:		
Motor finance	97	89
Central	14	13
	111	102

	2016 £000	Restated 2015 £000
Staff costs during the year (including directors):		
Wages and salaries	5,404	5,295
Social security costs	506	476
Pension costs for defined contribution scheme	227	236
	6,137	6,007

Figures above are for continuing operations only and so have been restated for 2015.

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

6. Operating Profit

	2016 £000	2015 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned assets	209	163
Staff costs	6,137	6,007
Cost of future share based payments	681	456
Rentals under operating leases for office properties	51	48
Loss on sale of fixed assets	5	4

The analysis of auditor's remuneration is as follows:

	2016 £000	2015 £000
Fees payable to the Group's auditor for the audit of the Company's annual accounts		
Fees payable to the Group's auditor for other services to the Group	26	41
The audit of Company's subsidiaries	39	46
Total audit fees	65	87
Audit related assurance services	26	23
Tax compliance services	18	18
Tax advisory services (home credit disposal)	141	–
Corporate finance services (home credit disposal)	501	–
Other services	138	29
Total non-audit fees	824	70
Total	889	157

7. Finance Costs (Net)

	2016 £000	2015 £000
31.5% cumulative preference dividend	142	142
Bank loan and overdraft	1,770	1,537
Other interest payable	1	2
Interest payable and similar charges	1,913	1,681
Interest receivable	(131)	(1)
	1,782	1,680

D2 Notes to the Accounts continued

Year ended 31 January 2016

8. Profit for the Period from Discontinued Operations

On 31 July 2015 all of the Loansathome4u home credit business was transferred to the subsidiary company SD Taylor Limited and that company was then sold. The disposal gives the Group an opportunity for further and faster expansion in Advantage motor finance business as well as an opportunity to explore other higher growth areas of specialist finance. The disposal was completed on 4 August 2015.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2016 £000	2015 £000
Revenue	**17,191**	38,298
Loan loss provision for consumer credit	**(3,646)**	(8,418)
Other cost of sales	**(113)**	(2,578)
Administrative Expenses	**(9,340)**	(9,108)
Finance costs (net)	**–**	–
Profit before taxation	**4,092**	8,409
Attributable taxation	**(852)**	(1,794)
Profit after taxation	**3,240**	6,615
Profit on disposal of discontinued operations	**50,139**	–
Attributable taxation	**(80)**	–
Profit for the period from discontinued operations	**53,299**	6,615

As shown above a profit of £50.1m arose on the disposal being the difference between the disposal proceeds of £82.4m and the carrying value of the disposed home credit assets less transaction costs.

The net assets at the date of disposal of Loansathome4u were as follows:

	£000
Property, plant and equipment	1,628
Amounts receivable from customers	29,854
Other assets	235
Creditors and accrued expenses	(1,531)
Corporation tax and deferred tax liabilities	(425)
Net assets at disposal	**29,761**
Transaction costs	2,507
Gain on disposal	50,139
Total consideration (satisfied in cash)	**82,407**

During the six months up to the date of disposal Loansathome4u contributed £7.8m to the group's operating cash flows (year to 31.1.15 £6.8m).

It is expected that, subject to agreement with HMRC, no tax charge will arise as a result of the sale of the Home Credit business by S&U due to the application of the statutory relief provided by the Substantial Shareholdings Exemption.

9. Profit of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit for the financial year after taxation amounted to £74,040,000 (2015: £7,353,000).

10. Tax on Profit Before Taxation

Continuing Operations	2016 £000	2015 £000
Corporation tax at 20.2% (2015: 21.3%) based on profit for the year	3,696	4,823
Adjustment in respect of prior years	19	(44)
	3,715	4,779
Deferred tax (timing differences - origination and reversal)	(132)	(65)
	3,583	2,920

Discontinued Operations	2016 £000	2015 £000
Corporation tax at 20.2% (2015: 21.3%) based on profit for the period	852	1,794
Corporation tax on disposal of home credit operation	80	–
	932	1,794

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

	2016 £000	2015 £000
Profit on ordinary activities before tax from continuing operations	19,469	14,765
Tax on profit on ordinary activities at standard rate of 20.2% (2015: 21.3%)	3,932	3,144
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	100	51
Effects of other tax rates and timing differences	(472)	(231)
Prior period adjustments	19	(44)
Total actual amount of tax	3,583	2,920

The main rate of corporation tax was reduced from 21% to 20% with effect from 1 April 2015, therefore the tax rates applicable to the current period is a blended rate of 20.2%.

Finance (No.2) Bill 2015 provides that the tax rate will reduce to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. The effect of this proposed tax rate reduction will be reflected in future periods.

11. Dividends

	2016 £000	2015 £000
2nd Interim paid for the year ended 31/1/2015 – 19.0p per Ordinary share (16.0p)	2,257	1,890
Final paid for the year ended 31/1/2015 – 30.0p per Ordinary share (24.0p)	3,564	2,840
Exceptional additional dividend re disposal 125.0p per Ordinary share (nil)	14,877	–
1st Interim paid for the year ended 31/1/2016 – 20.0p per Ordinary share (17.0p)	2,380	2,015
Total ordinary dividends paid	23,078	6,745
6% cumulative preference dividend paid March and September	12	12
Credit for unpresented dividend payments over 12 years old	–	(23)
Total dividends paid	23,090	6,734

A second interim dividend of 23.0p per ordinary share for the year ended 31 January 2016 was paid on 18 March 2016 and the directors are proposing a final dividend for the year ended 31 January 2016 of 33.0p per ordinary share. The final dividend will be paid on 8 July 2016 to shareholders on the register at close of business on 17 June 2016 subject to approval by shareholders at the Annual General Meeting on Tuesday 17 May 2016.

D2

D2 Notes to the Accounts continued

Year ended 31 January 2016

12. Earnings Per Ordinary Share

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £15,886,000 (2015: £11,845,000). The calculation of earnings per ordinary share from continuing and discontinued operations is based on profit after tax of £69,185,000 (2015: £18,460,000).

The number of shares used in the basic eps calculation is the average number of shares in issue during the year of 11,888,591 (2015: 11,834,570). There are a total of 208,885 dilutive share options in issue (2015: 240,335). The number of shares used in the diluted eps calculation is 12,000,152 (2015: 11,967,224).

13. 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 2014	464	3,050	1,999	5,513
Additions	423	456	251	1,130
Disposals	–	(273)	(21)	(294)
At 31 January 2015	887	3,233	2,229	6,349
Additions	1	308	560	869
Disposal of home credit operation	(311)	(2,899)	(1,599)	(4,809)
Disposals	–	(265)	(5)	(270)
At 31 January 2016	**577**	**377**	**1,185**	**2,139**
Accumulated depreciation				
At 1 February 2014	183	1,836	1,562	3,581
Charge for the year	26	404	173	603
Eliminated on disposals	–	(220)	(21)	(241)
At 31 January 2015	209	2,020	1,714	3,943
Charge for the year	26	212	188	426
Disposal of home credit operation	(117)	(1,861)	(1,203)	(3,181)
Eliminated on disposals	–	(193)	(5)	(198)
At 31 January 2016	**118**	**178**	**694**	**990**
Net book value				
At 31 January 2016	**459**	**199**	**491**	**1,149**
At 31 January 2015	678	1,213	515	2,406

Included in the above is land at a cost or valuation of £22,000 (2015: £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 2014	80	2,194	1,120	3,394
Additions	–	412	117	529
Disposals	–	(185)	–	(185)
At 31 January 2015	80	2,421	1,237	3,738
Additions	–	188	259	447
Disposal of home credit operation	(38)	(2,335)	(1,414)	(3,787)
Disposals	–	(149)	–	(149)
At 31 January 2016	**42**	**125**	**82**	**249**
Accumulated depreciation				
At 1 February 2014	27	1,173	893	2,093
Charge for the year	1	350	95	446
Eliminated on disposals	–	(151)	–	(151)
At 31 January 2015	28	1,372	988	2,388
Charge for the year	1	159	78	238
Disposal of home credit operation	(20)	(1,335)	(1,028)	(2,383)
Eliminated on disposals	–	(118)	–	(118)
At 31 January 2016	**9**	**78**	**38**	**125**
Net book value				
At 31 January 2016	**33**	**47**	**44**	**124**
At 31 January 2015	52	1,049	249	1,350

Included in the above is land at cost of £22,000 (2015: £22,000) which is not depreciated.

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
	–	243	–	98

14. Investments and related party transactions

Company	2016 £000	2015 £000
Shares in subsidiary companies		
At historic cost less impairment	**1,951**	2,432

Interests in subsidiaries

During the year to 31 January 2016 the company sold its wholly owned subsidiary SD Taylor Limited as part of the disposal of its home credit business. Details are given in note 8.

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

Subsidiary	Principal activity
Advantage Finance Limited	Motor finance

The following are dormant subsidiaries of the group Advantage Motor Finance Limited, Advantage4u Limited, Advantage Direct Finance Limited, Advantage Partner Finance Limited, Advantage Asset Finance Limited, S&U Stores Limited, S&U Mail Order Holdings Limited, Communitas Finance Limited, Cash Kangaroo Limited, Sartorial Shops Limited, AE Holt Limited, M Appleton & Co Limited, EC Clothes Limited, Leonard Hughes Limited, Leonard Hughes (Supplies) Limited, George Kirkham Limited, Tweedies Sports Centres Limited, Annette Wolverhampton Limited, Deepdale Manufacturing Limited, Greenbank Warehouses Limited, Greendale Register Limited.

D2 Notes to the Accounts continued

Year ended 31 January 2016

14. 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 made charitable donations amounting to £45,000 (2015: £51,000) via the Keith Coombs Trust which is a related party because Messrs GDC Coombs, AMV Coombs, D Markou and CH Redford are trustees. The amount owed to the Keith Coombs Trust at the year end was £nil (2015: £nil). During the year the Group obtained supplies at market rates amounting to £nil (2015: £4,870) from Grevayne Properties Limited a Company which is a related party because Messrs G D C and A M V Coombs are directors and shareholders. All related party transactions were settled in full when due.

Company

The Company received dividends from other Group undertakings totalling £4,700,000 (2015: £6,100,000). During the year the Company recharged other Group undertakings for various administrative expenses incurred on their behalf. The Company also received administrative cost recharges from other Group undertakings. At 31 January 2016 the Company was owed £91,664,060 (2015: £69,503,782) by other Group undertakings and owed £nil (2015: £nil). All related party transactions were settled in full when due.

15. Amounts Receivable from Customers

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Consumer credit, rentals and other retail trading	–	52,979	–	24,809
Motor finance hire purchase	169,420	127,740	–	–
	169,420	180,719	–	24,809
Less: Loan loss provision consumer credit, rentals and other retail trading	–	(18,357)	–	(8,748)
Less: Loan loss provision motor finance	(24,279)	(21,353)	–	–
Amounts receivable from customers	145,141	141,009	–	16,061
Analysis by future date due				
– due within one year	43,072	66,939	–	15,960
– due in more than one year	102,069	74,070	–	101
Amounts receivable from customers	145,141	141,009	–	16,061

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Analysis of security				
Loans secured on vehicles under hire purchase agreements	143,844	105,514	–	–
Other loans not secured	1,297	35,495	–	16,061
Amounts receivable from customers	145,141	141,009	–	16,061
Analysis of overdue				
Not impaired				
Neither past due nor impaired	132,789	117,487	–	9,086
Past due up to 3 months but not impaired	–	7,077	–	3,283
Past due over 3 months but not impaired	–	6,312	–	2,928
Impaired				
Past due up to 3 months	9,176	7,318	–	508
Past due over 3 months and up to 6 months	1,244	1,182	–	193
Past due over 6 months or default	1,932	1,633	–	63
Amounts receivable from customers	145,141	141,009	–	16,061

The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contractual terms which are not rescheduled. The carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2015: £nil).

Analysis of movements on loan loss provisions

Group	Consumer credit, rentals and other trading £000	Motor finance £000	Total £000
At 1 February 2014	17,921	20,248	38,169
Charge for year	8,418	5,863	14,281
Amounts written off during year	(5,418)	(1,915)	(7,333)
Unwind of discount	(2,564)	(2,843)	(5,407)
At 31 January 2015	18,357	21,353	39,710
Disposal of Home Credit Operation	(18,537)	–	(18,537)
Charge for year	–	7,611	7,611
Amounts written off during year	–	(2,004)	(2,004)
Unwind of discount	–	(2,681)	(2,681)
At 31 January 2016	–	24,279	24,279

Company	£000	£000	£000
At 1 February 2014	8,996	–	8,996
Charge for year	3,673	–	3,673
Amounts written off during year	(2,655)	–	(2,655)
Unwind of discount	(1,266)	–	(1,266)
At 31 January 2015	8,748	–	8,748
Disposal of Home Credit Operation	(8,748)	–	(8,748)
At 31 January 2016	–	–	–

There has been no material change in the average discount rate used for the years to 31 January 2015 and 31 January 2016.

16. Trade and Other Receivables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Amounts owed by subsidiary undertakings	–	–	91,664	69,504
Other debtors	15	65	8	55
Prepayments and accrued income	565	580	154	205
	580	645	91,826	69,764

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and, other than £70.0m of intercompany receivables from Advantage Finance Limited (2015: £54.5m), which are due after more than one year, the amounts owed by subsidiary undertakings have no fixed maturity date. Under IFRS7 there are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and other receivables is not materially different to their fair value.

D2 Notes to the Accounts continued

Year ended 31 January 2016

17. Borrowings including Bank Overdrafts and Loans

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank overdrafts and loans – due within one year	152	–	–	–
Bank and other loans – due in more than one year	30,000	54,500	30,000	54,500
	30,152	54,500	30,000	54,500

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 2016:

- a facility for £3 million (2015: £3m) which is subject to annual review in July 2016.
- a facility for £2 million (2015: £2m).

Total drawdowns of these overdraft facilities at 31 January 2016 were £152,583 (2015: £nil).

An overdraft facility of £0.1m available to our Scottish home credit business was discontinued when the home credit business was disposed.

S&U plc had the following revolving credit facilities available at 31 January 2016:

- a facility for £18 million (2015: £18m) which is due for repayment in March 2018.
- a facility for £7 million (2015: £7m) which is due for repayment in March 2018.
- a facility for £15 million (2015: £15m) which is due for repayment in March 2018.

S&U plc had the following term loan facilities available at 31 January 2016:

- a facility for £15 million (2015: £15m) which is due for repayment in April 2021.
- a facility for £15 million (2015: £15m) which is due for repayment in April 2022.

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

The Company is part of the Group overdraft facility and at 31 January 2016 was £nil overdrawn (2015: £nil).

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

18. Trade and Other Payables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade creditors	214	685	25	348
Other creditors	1,418	1,999	66	1,195
	1,632	2,684	91	1,543

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 2014	(98)	(25)	470	(4)	343
(Debit)/credit to income	(32)	2	95	–	65
Charge to equity	–	–	(123)	–	(123)
At 31 January 2015	(130)	(23)	442	(4)	285
(Debit)/credit to income	(12)	–	144	–	132
Disposal of subsidiary	–	23	–		23
Charge to equity	85	–	(90)	–	(5)
At 31 January 2016	(57)	–	496	(4)	435

Company	£000	£000	£000	£000	£000
At 1 February 2014	(91)	–	223	(4)	128
(Debit)/credit to income	(12)	–	22	–	10
Charge to equity	–	–	(70)	–	(70)
At 31 January 2015	(103)	–	175	(4)	68
(Debit)/credit to income	–	–	70	–	70
Charge to equity	85	–	(132)	–	(47)
At 31 January 2016	(18)	–	113	(4)	91

Finance Act 2013 enacted a reduced tax rate of 20% with effect from 1 April 2015 and the Finance (No.2) Bill 2015 provides that the rate will reduce further to 19% from 1 April 2017 and to 18% from 1 April 2020. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax balance is expected to reverse is 20% and this has been applied to calculate the deferred tax position at 31 January 2016.

20. Called up Share Capital and Preference Shares

	2016 £000	2015 £000
Called up, allotted and fully paid		
11,929,875 Ordinary shares of 12.5p each (2015: 11,877,425)	**1,491**	1,485
200,000 6.0% Cumulative preference shares of £1 each	**200**	200
Called up share capital	**1,691**	1,685

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	2016 £000	2015 £000
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2015: 3,598,506)	**450**	450

The 31.5% cumulative preference shares entitle the holder to receive a cumulative preference dividend of 31.5% plus associated tax credit and the right to a return of 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 2016

22. Financial Instruments

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

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

As at 31 January 2016 the Group's indebtedness amounted to £30,000,000 (2015: £54,500,000) and the Company's indebtedness amounted to £30,000,000 (2015: £54,500,000). The Group gearing was 9.3% (2015: 65.8%), being calculated as borrowings net of cash as a percentage of total equity. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

S&U plc has unused borrowing facilities at 31 January 2016 of £44.8million (2015: £20.6m). 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 2016 was estimated to be 30% (2015: 39%). The Company had no financial assets at 31 January 2016. At 31 January 2015 the average effective interest rate on financial assets of the Company was estimated to be 72%. The average effective interest rate of financial liabilities of the Group at 31 January 2016 was estimated to be 4% (2015:4%). The average effective interest rate on financial liabilities of the Company at 31 January 2016 was estimated to be 4% (2015: 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. 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 2016 would decrease/increase by £0.1million (2015: decrease/increase by £0.2million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.1million (2015: decrease/increase by £0.2million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

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

- profit for the year ended 31 January 2016 would decrease/increase by £0.2million (2015: decrease/increase by £0.3million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.2million (2015: decrease/increase by £0.3million). 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 2016 the Group gearing level was 9.3% (2015: 65.8%) 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 (2015: £1.9m) but is considered more appropriate under IFRS to be included in the balance sheet at amortised cost. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and based on available observable market data. The fair value hierarchy is derived from Level 2 inputs in accordance with IFRS13.

Liquidity risk

The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Most of the Group's financial assets are repayable within two years which together with net gearing of less than 10% results in a positive liquidity position.

Group At 31 January 2016	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	43,072	31,919	70,150	–	–	145,141
Other assets	–	–	–	–	2,164	2,164
Cash at bank and in hand	18,251	–	–	–	–	18,251
Total assets	61,323	31,919	70,150	–	2,164	165,556
Shareholders' funds	–	–	–	–	(128,256)	(128,256)
Bank overdrafts and loans	(152)	–	–	(30,000)	–	(30,152)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(6,698)	(6,698)
Total liabilities and shareholders' funds	(152)	–	–	(30,450)	(134,954)	(165,556)
Cumulative gap	**61,171**	**93,090**	**163,240**	**132,790**	**–**	**–**

Group At 31 January 2015	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	66,939	24,001	50,069	–	–	141,009
Other assets	–	–	–	–	3,415	3,415
Cash at bank and in hand	935	–	–	–	–	935
Total assets	67,874	24,001	50,069	–	3,415	145,359
Shareholders' funds	–	–	–	–	(81,464)	(81,464)
Bank overdrafts and loans	–	–	(24,500)	(30,000)	–	(54,500)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(8,945)	(8,945)
Total liabilities and shareholders' funds	–	–	(24,500)	(30,450)	(90,409)	(145,359)
Cumulative gap	**67,874**	**91,875**	**117,444**	**86,994**	**–**	**–**

D2 Notes to the Accounts continued

Year ended 31 January 2016

22. Financial Instruments continued

Company At 31 January 2015	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	–	–	–	–	–	–
Other assets	–	–	40,000	30,000	23,992	93,992
Cash at bank and in hand	20,906	–	–	–	–	20,906
Total assets	20,906	–	40,000	30,000	23,992	114,898
Shareholders' funds	–	–	–	–	(83,176)	(83,176)
Bank overdrafts and loans	–	–	–	(30,000)	–	(30,000)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(1,272)	(1,272)
Contingent liabilities	(2,808)	–	–	–	–	(2,808)
Total liabilities and shareholders' funds	(2,808)	–	–	(30,450)	(84,448)	(117,706)
Cumulative gap	**18,098**	**18,098**	**58,098**	**57,648**	**(2,808)**	**(2,808)**

Company At 31 January 2015	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	15,960	101	–	–	–	16,061
Other assets	–	–	24,500	30,000	19,193	73,693
Cash at bank and in hand	284	–	–	–	–	284
Total assets	16,244	101	24,500	30,000	19,193	90,038
Shareholders' funds	–	–	–	–	(31,862)	(31,862)
Bank overdrafts and loans	–	–	(24,500)	(30,000)	–	(54,500)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(3,226)	(3,226)
Contingent liabilities	–	–	–	–	–	–
Total liabilities and shareholders' funds	–	–	(24,500)	(30,450)	(35,088)	(90,038)
Cumulative gap	**16,244**	**16,345**	**16,345**	**15,895**	**–**	**–**

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

Group At 31 January 2016	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	152	–	–	–	–	152
Trade and other payables	–	1,632	–	–	–	1,632
Tax liabilities	–	3,046	–	–	–	3,046
Accruals and deferred income	–	2,020	–	–	–	2,020
Bank loans	–	–	–	–	30,000	30,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2016	152	6,698	–	–	30,450	37,300

Group At 31 January 2015	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	2,684	–	–	–	2,684
Tax liabilities	–	3,303	–	–	–	3,303
Accruals and deferred income	–	2,958	–	–	–	2,958
Bank loans	–	–	–	24,500	30,000	54,500
Financial liabilities	–	–	–	–	450	450
At 31 January 2015	–	8,945	–	24,500	30,450	63,895

Company At 31 January 2016	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	91	–	–	–	91
Tax liabilities	–	532	–	–	–	532
Accruals and deferred income	–	649	–	–	–	649
Bank loans	–	–	–	–	30,000	30,000
Financial liabilities	–	–	–	–	450	450
At 31 January 2016	–	1,272	–	–	30,450	31,722

Company At 31 January 2015	Repayable on Demand £'000	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	Total £'000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	1,543	–	–	–	1,543
Tax liabilities	–	815	–	–	–	815
Accruals and deferred income	–	868	–	–	–	868
Bank loans	–	–	–	24,500	30,000	54,500
Financial liabilities	–	–	–	–	450	450
At 31 January 2015	–	3,226	–	24,500	30,450	58,176

D2

D2 Notes to the Accounts continued

Year ended 31 January 2016

23. Reconciliation of Operating Profit to Net Cash from Operating Activities

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Operating Profit (see footnote)	**25,343**	24,854	**3,978**	7,004
Finance costs paid	**(1,913)**	(1,681)	**(142)**	(183)
Finance income received	**131**	1	**1,636**	775
Tax paid	**(4,927)**	(4,157)	**(387)**	(25)
Depreciation on plant, property and equipment	**426**	603	**238**	446
Loss on disposal of plant, property and equipment	**15**	19	**7**	10
Decrease in investment	**–**	–	**481**	0
(Increase)/decrease in amounts receivable from customers	**(4,132)**	(33,998)	**16,062**	1,020
Decrease in inventories	**59**	77	**59**	77
Decrease/(increase) in trade and other receivables	**65**	(148)	**(22,062)**	(24,787)
(Decrease)/increase in trade and other payables	**(1,052)**	131	**(1,452)**	121
(Decrease)/increase in accruals and deferred income	**(938)**	452	**(219)**	124
Increase in cost of future share based payments	**681**	456	**390**	137
Movement in retirement benefit asset/obligations	**(14)**	(13)	**(14)**	(13)
Disposal of subsidiary assets	**(29,761)**	–	**(11,299)**	–
Net cash from/(used in) operating activities	**(16,017)**	(13,404)	**(12,724)**	(15,294)

Operating profit includes profit before tax on discontinued operations – note 8.

24. Financial Commitments

Capital commitments

At 31 January 2016 and 31 January 2015, the Group and Company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2016 and 31 January 2015, the Group and Company had outstanding commitments under non-cancellable operating leases for continuing operations which fall due as follows:

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Within one year	**59**	253	**40**	143
In the second to fifth years inclusive	**88**	431	**60**	260
After five years	**–**	–	**–**	–
	147	684	**100**	403

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

25. Contingent Liabilities

Part of the Group's business is regulated by consumer credit legislation, which contains very detailed and highly technical requirements. In 2014, the Group commissioned an external review of its compliance with this legislation. The Group has identified some areas of potential non-compliance, although these are not considered to be material. While there is a risk that an eventual outcome may differ, the Group considers that no material present obligation in relation to non-compliance with consumer credit legislation is likely.

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 2016 was £2,808,086 (2015: £nil).

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 2016	Number of share options 2015
Outstanding at beginning of year	**233,335**	279,335
Granted during the year	**21,000**	21,000
Lapsed during the year	**–**	(3,000)
Exercised during the year	**(48,000)**	(64,000)
Expired during the year	**–**	–
Outstanding at end of year	**206,335**	233,335
Exercisable at end of year	**5,000**	22,500

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

The Group recognised total share based payment expenses for the DSOP and the LTIP of £681,000 in the year to 31 January 2016 (2015: £456,000).

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 2013. At that valuation it was assumed that the appropriate post retirement discount rate was 2.24%, salary increase for the active member would be 3.27% per annum and pension increases would be 3.05% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS19 in order to assess the liabilities of the scheme as at 31 January 2016. 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 2017 is £nil.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2013 and updated to 31 January 2016 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 2016	At year end 31 January 2015
Rate of increase in salaries	**na**	4.0%
Rate of increase in pensions in payment	**1.9%**	1.8%
Discount rate	**3.5%**	2.8%
Revaluation in deferment	**1.8%**	1.8%
Mortality assumption	**130%**	130%

Mortality assumption for both years is stated as % of PCA00 Long cohort with 1% underpin.

D2 Notes to the Accounts continued

Year ended 31 January 2016

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 2016	Proportion held at 31 January 2016 £000	Expected rate of return at 31 January 2015	Proportion held at 31 January 2015 £000
Equities	3.5%	82%	2.8%	80%
Bonds	3.5%	10%	2.8%	13%
Cash/Other	3.5%	8%	2.8%	7%
Total market value of assets		100%		100%

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

	January 2016 £000	January 2015 £000
Fair value of plan assets	1,078	1,242
Present value of defined benefit obligations	(552)	(750)
Surplus before restriction	526	492
Restriction on Surplus	(526)	(472)
Pension asset	0	20

The amount recognised in the income statements during the year

	January 2016 £000	January 2015 £000
Current service cost	3	5
Interest on obligation	16	33
Expected return on plan assets	(33)	(51)
Expense recognised in the income statement	(14)	(13)
Opening net (asset)	(20)	(20)
Expense	(14)	(13)
Contributions paid	–	–
Actuarial loss	34	13
Closing net (asset)	0	(20)

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

	January 2016 £000	January 2015 £000
Movement in present value of obligation		
Present value of obligation at 1 February	**750**	789
Interest cost	**16**	33
Current service cost	**3**	5
Benefits paid	**(112)**	(27)
Actuarial loss/(gain) on obligation – assumptions	**(38)**	89
Actuarial loss/(gain) on obligation – experience	**(67)**	(139)
Present value of obligation at 31 January	**552**	750
Experience adjustment on scheme liabilities		
Actuarial (gain)/loss as percentage of scheme liabilities	**(12%)**	(18%)
Movement in fair value of plan assets		
Fair value of plan assets at 1 February	**1,242**	1,238
Expected return on plan assets	**33**	51
Contributions	**–**	–
Benefits paid	**(112)**	(27)
Actuarial gain/(loss) on plan assets	**(85)**	(20)
Fair value of plan assets at 31 January	**1,078**	1,242
Experience adjustment on assets		
Actuarial gain/(loss) as percentage of scheme assets	**(8%)**	(2%)

Five Year Financial Record

Continuing Operations	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Revenue	17,906	20,903	26,226	36,102	**45,182**
Operating profit	4,650	6,901	10,251	16,445	**21,251**
Profit before taxation	4,054	6,320	9,524	14,765	**19,469**
Taxation	(1,077)	(1,426)	(2,197)	(2,920)	**(3,583)**
Profit for the year from continuing operations	2,977	4,894	7,327	11,845	**15,886**
Assets employed in all operations					
Fixed assets	1,625	1,790	1,932	2,406	**1,149**
Amounts receivable and other assets	78,124	86,924	108,019	142,953	**164,407**
	79,749	88,714	109,951	145,359	**165,556**
Liabilities	(24,887)	(27,648)	(40,541)	(63,895)	**(37,300)**
Total equity	54,862	61,066	69,410	81,464	**128,256**
Earnings per Ordinary share from continuing operations	25.4p	41.7p	62.2p	100.1p	**133.6p**
Earnings per Ordinary share from continuing and discontinued operations	76.1p	92.6p	113.2p	156.0p	**581.9p**
Dividends declared per Ordinary share	41.0p	46.0p	54.0p	66.0p	**76.0p**
Key ratios					
Return on year end capital employed	17.3%	18.1%	17.6%	18.3%	**16.0%**
Group gearing	34.3%	33.7%	46.6%	65.8%	**9.3%**

Key ratios have been calculated as follows:

“Return on year end capital employed” is calculated as Operating Profit from continuing and discontinued operations 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). The profit arising on disposal of discontinued operations in year ended 31 January 2016 is excluded from this return calculation.

“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		17 May 2016
Announcement of results	Half year ending 31 July 2016	September 2016
	Year ending 31 January 2017	March 2017
Payment of dividends	6% Cumulative preference shares	30 September 2016 & 31 March 2017
	31.5% Cumulative preference shares	31 July 2016 & 31 January 2017
	Ordinary shares — 2015/2016 Final	8 July 2016
	Ex dividend Date	16 June 2016
	Record Date	17 June 2016
	— 2015/2016 First interim	November 2016
	— 2016/2017 Second interim	March 2017

Directions to our AGM

Annual General Meeting, Nuthurst Grange Country House Hotel, 17 May 2016 at 12 noon.

From M42

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

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

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

Turn right onto Nuthurst Grange Road. The entrance to the hotel is on the left-hand side (see map)

From M40 Southbound

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

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

Turn left onto Nuthurst Grange Road.

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

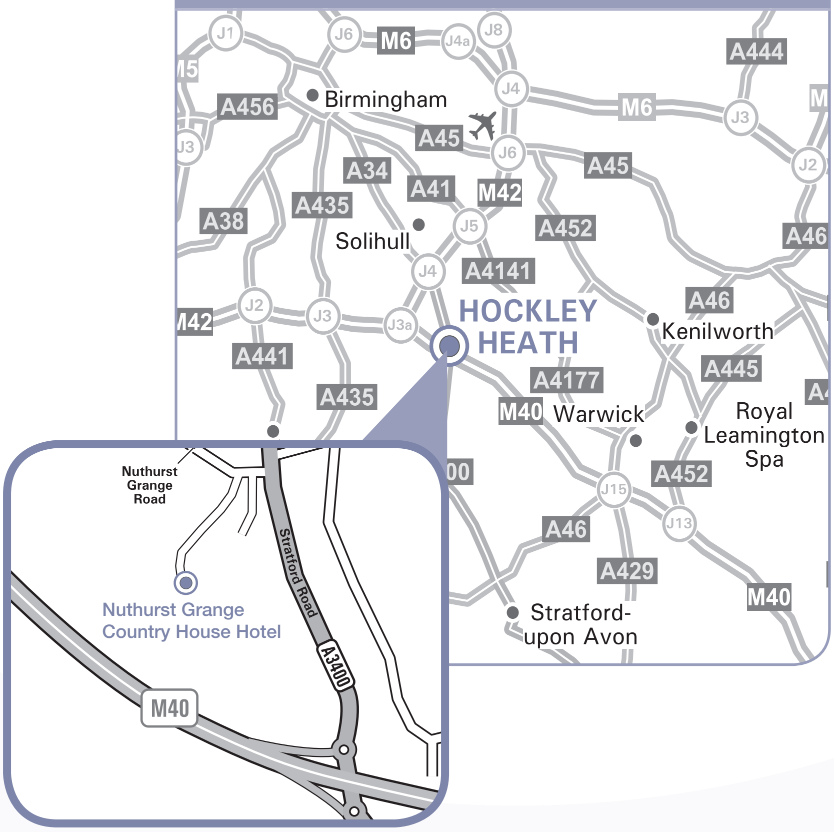
From M40 Northbound

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

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

Follow directions above "From M42".

Nuthurst Grange Country House Hotel
Hockley Heath, Warwickshire, B94 5NL
Telephone: 01564 783972



Shareholder Notes

Officers and Professional Advisers

Directors

A M V Coombs MA (Oxon)	(Chairman)	
G D C Coombs MA (Oxon) MSc (Lon)	(Deputy Chairman)	
C H Redford ACA	(Group Finance Director)	
J G Thompson	(Managing Director, Motor Finance)	
D Markou MBE FCA	(Non-executive)	
K R Smith TD FCIM	(Non-executive)	
G Pedersen	(Non-executive)	Appointed 18 February 2015
T Khlat	(Non-executive)	Appointed 21 March 2016
F Coombs BA (Lon) MSc (Lon)	(Non-executive)	

Secretary

C H Redford ACA

Registered office

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Registrars

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

Bankers

HSBC Bank plc
130 New Street
Birmingham B2 4JU

Allied Irish Bank (GB)
8th Floor
63 Temple Row
Birmingham
B2 5LS

Media and Investor Relations

Smithfield Financial Ltd
10 Aldersgate Street
London EC1A 4HJ

Stockbrokers

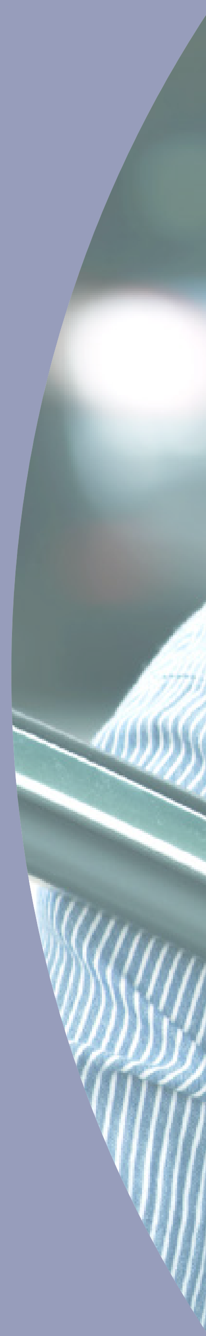
Arden Partners
125 Old Broad Street
London
EC2 1AR

Solicitors

DLA
Victoria Square
Birmingham
B2 4DL

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham



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