S&U EST.1938

THE CREDIT YOU DESERVE

ROBUST AND RESILIENT

Annual Report and Accounts
for the Year ended 31 January 2021

Welcome to the S&U 2021 Annual Report

Founded in 1938, S&U's mission is to provide Britain's foremost motor, property bridging and specialist finance service. Since 1999 our Advantage motor subsidiary has provided finance for over 180,000 customers. In just four years, Aspen our new property bridging business has transacted over £100m in secured loans.

Read about **Advantage Finance** and **Aspen Bridging** on page 04

Our values

- Making the customer the heart of our business.
- Respect for every customer and always treating customers fairly.
- Conservative approach to underwriting and collections to enable sustainable growth.

Our businesses

Motor Finance
Hire purchase motor finance for over 180,000 customers since 1999.

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

Reasons to invest

1. A track record of growth and profitability.
2. Exceptional customer service.
3. A strong balance sheet.

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Financial Highlights

Revenue (£m)
£83.8m
(2020: £89.9m)

Basic EPS (p)
120.7p
(2020: 239.6p)

Profit Before Tax (£m)
£18.1m
(2020: £35.1m)

Dividend Declared (p)
90p
(2020: 120p)

Our response to covid-19
during year ended 31 January 2021

- Ensured stability of business during initial Covid-19 impact with daily reporting of all key business activities
- No staff were furloughed – both businesses quickly facilitated staff working from home with no significant impact on customer service
- Underwriting procedures and criteria were tightened in both businesses to cater for labour market vulnerability, less accuracy in credit reference agency information and variable future asset values
- Our customer first philosophy underpinned increased forbearance and good long-term relationships with customers
- Cemented our strong financial position- £19m cash generation in year after payment of £13m shareholder dividends and steady property bridging book growth from June 20 onwards- net assets increased during year to £181m (2020: £179.5m)
- Ready for rebound – actions taken during pandemic allow for prudent return to growth during 2021/22

Visit our website at
www.suplc.co.uk

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Strategic Report

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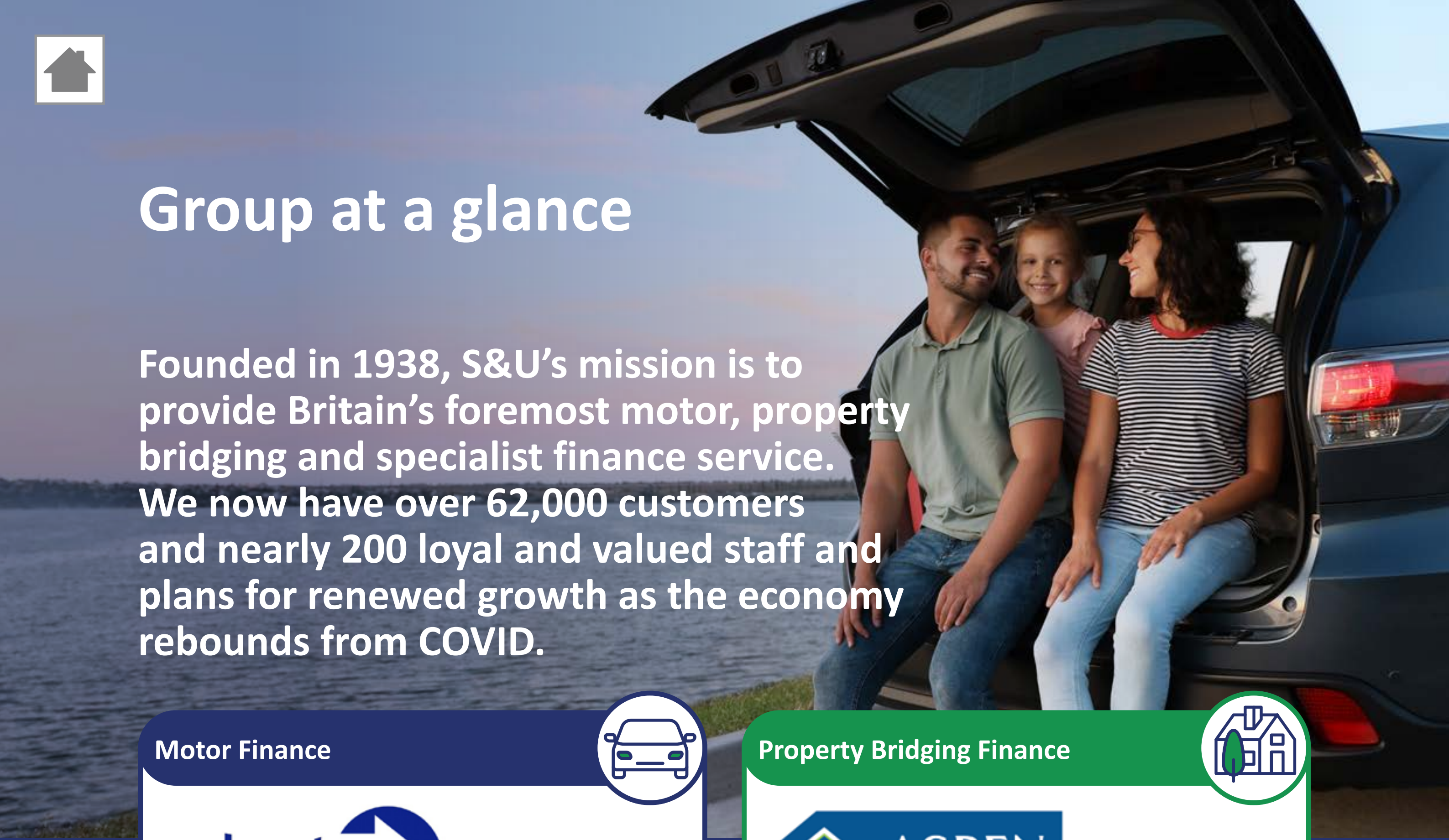


Group at a glance

Founded in 1938, S&U's mission is to provide Britain's foremost motor, property bridging and specialist finance service. We now have over 62,000 customers and nearly 200 loyal and valued staff and plans for renewed growth as the economy rebounds from COVID.

Motor Finance

advantage FINANCE LIMITED

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

Based in Grimsby, Advantage employ around 170 people, and working closely with most of the motor finance Brokers across the country, we have provided hire purchase finance for over 180,000 customers throughout the UK. Advantage operates within the non-prime market sector and has built an outstanding reputation and track record in terms of service to our business partners and our customers. Funding is invested wisely through a hugely experienced management team, the majority of whom have been with the company since its inception 21 years ago.

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

Graham Wheeler
Chief Executive

Property Bridging Finance

ASPEN BRIDGING

Aspen Bridging has now become an established well known bridging firm with a reputation for excellence in service for providing finance in the residential, commercial and property refurbishment markets. Having launched in 2017 Aspen has successfully combined relationship management, state of the art technology, strong on analytics along with the best service commitment standards in the market. Our reputation is growing from strength to strength and our more recent product expansion enables brokers to consider Aspen for all their borrower needs- a one stop shop. Aspen Bridging lends up to £5m per deal with an average deal size of £600,000 across the spectrum of different bridging loan types and now have a 15 strong experienced and talented team ready to support any broker or direct client on a loan. The Aspen team pride themselves on the delivery of a quality, timely service with case handlers managing applications right through to completion. Aspen continues as it started by being innovative and creative having won three industry awards along the way whilst being active members of two key industry bodies being the ASTL and FIBA. Aspen is well positioned to make a significant contribution to S&U profits over the next decade.

"At Aspen our approach of combining the more traditional side of bridging along with state of the art technology and a tireless approach to deliver exceptional service distinguishes us from the competition. Despite the challenges that we have all faced during 2020, it was our established capability to operate remotely that enabled Aspen to continue to support our brokers and borrowers during the Pandemic. As a result, these relationships have grown stronger and stronger. Aspen's future looks very promising indeed."

Ed Ahrens
Managing Director

A1 Chairman's Statement

"Although uncertainty still surrounds the economic climate following Covid, the skies are definitely brightening. As I predicted last year the fall in consumer demand and confidence is proving to be temporary and will not alter the fundamentals underpinning the demand for the vehicles and properties S&U finances. My confidence in our superb staff, our financial strength and sound strategy allows me to predict a return to S&U's habitual levels of success. We relish the challenge."

Anthony Coombs
Chairman

£181.0m
GROUP NET ASSETS
(2020: £179.5m)

90p
TOTAL DIVIDEND DECLARED
(2020: 120p)

Both globally and in the UK, the past year has seen seismic events, the like of which have not been seen in peace time. Although the Government now has a road-map out of this strange terrain, the implications of Covid for the British economy, and for society as a whole, defy firm prediction.

Against such a background, S&U has this year produced a solid and durable set of results, of which all our loyal colleagues can be rightly proud. Profit Before Tax is £18.1m (2020: £35.1m) on revenue of £83.8m (2020: £89.9m), giving earnings per share of 120.7p (2020: 239.6p). Our financial position has strengthened still further as increased cash generation has lowered gearing to 54.6% (2020: 65.7%). This coupled with an extension of S&U's medium-term funding facilities allows significant headroom for the rebound in growth we plan for our motor finance and property bridging businesses. These are the bald facts.

Financial Highlights

- Profit before tax ("PBT"): £18.1m (2020: £35.1m)
- Revenue: £83.8m (2020: £89.9m)
- Earnings per share ("EPS"): 120.7p (2020: 239.6p)
- Group net assets: £181.0m (2020: £179.5m)
- Group gearing*: 54.6% (2020: 65.7%)
- Treasury – post year-end Group facilities extended to £155m
- Group collections*- £214.3m (2020: £228.8m)
- Dividend proposed : 90p per ordinary share (2020: 120p)

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

But behind these facts lies a much more important story of perseverance, initiative and real courage as our staff have coped with and then overcome the personal and business challenges posed by Covid. Though some have experienced the disease, all are thankfully safe and have adapted stoically to home-working, whilst about 25 are manning our offices. I pay tribute to them all.

The current vaccination programme and a more coherent Government policy roadmap for Covid justify greater optimism. The pandemic previously has undoubtedly hit the UK harder than most in the developed world. Whatever the reasons, which range from a dense and urbanised population, disparities in income and living conditions and cultural attitudes, the result has been a death rate higher than in any large country and a fall in economic output over the past year of just over 10%- the second worst performance of any industrialised nation.

Many of the immediate economic consequences have been postponed, and possibly avoided, by monetary policy which has seen interest rates at record lows and a quantitative easing programme of £900bn over the past year alone. This has been matched by loose fiscal policies resulting in government debt increasing to over £2trillion, the long-term consequences of which are simply unknown. In the short term, the results of this economic intensive care have been undeniably positive. Although around 3.5m people are still "temporarily" away from paid work, unemployment still stands at just over 5.5%- well below those levels experienced after the Global Financial Crisis. Although this may rise next year, recent net emigration and an adaptable workforce should mitigate this. This short macro-economic digression is intended to demonstrate the uncertainties our business faces. but also the opportunities they present. Personal saving rates have recovered strongly as has consumer

A1 Chairman's Statement
continued

confidence and the appetite to spend. This, and a recent evidence of returning business confidence, have seen Government predictions for GDP growth rise to 4.5% this year and 6.6% next.

All this means that S&U's habitual caution should now be seasoned with ambition and optimism for the next two years. Thus, July to October 2020 saw the used car finance market record 120,000 to 140,000 transactions per month, the highest for over three years. In the same period Finance and Leasing Association figures showed the strongest used car price growth for a decade. Similarly, the housing market, upon which Aspen's bridging loans largely depend, has confounded early predictions of collapse; instead it finished 2020 with a 6.3% increase in house prices, and nearly 104,000 monthly mortgage approvals (40% higher than before the pandemic) reinforcing this incipient trend.

Despite the inevitable shorter-term impact of the pandemic upon the level and quality of the Group's business, we fully expect to see a gradual and sustained rebound in Group Profits. Current initiatives in both businesses may even accelerate this recovery.

> **"All this means that S&U's habitual caution should now be seasoned with ambition and optimism for the next two years."**
>
> **Anthony Coombs**
> Chairman

This is why we have, post year-end, increased our medium-term borrowing facilities from £130m to £155m (despite a fall in Group borrowing this year of £19m to £98.8m). This will provide ample headroom for the surge in growth in customer numbers and good quality business we anticipate.

Advantage Finance ("Advantage")

In a year which saw the Covid lock-downs close dealerships lead to an initial 80% fall in loan transaction numbers, and when FCA mandated customer repayment "holidays" affected nearly 21,000 or about a third of Advantage's customers, Advantage Finance, our non-prime motor finance division, has delivered a very creditable result. Profit Before Tax is £17.2m (2020: £34.0m) on revenue of £79.5m (2020: £85.5m). Challenging market conditions due to Covid and a prudent tightening of under-writing criteria early last year saw transactions fall from 23,234 in 2019/20 to 15,600. Overall customer numbers stood at nearly 63,000 (2020: 64,000) and net receivables at £246.8m (2020: £280.8m). The net receivables and the lower profit reflected IFRS forward looking loan loss provisions of £36m for the year (2020: £17m). Return on Capital Employed before finance costs is 8.6% (2020: 15.2%) and Advantage's risk adjusted yield on average receivables was 16.4% for the year (2020: 25.5%) (definitions are in note 1.13).

Advantage's previous track record of 20 years of continuous profits growth has been built on three pillars, and remains unchanged by Covid.

The first pillar is its insistence that real profits are reflected in cash repayments from our loyal customers. This year, despite the payment holidays which affected nearly 21,000 of our customers and resulted in an estimated £13m lower collection, total cash collected at Advantage was £180m against £196m last year.

This resulted in a monthly collection rate against contractual due of nearly 84% (2020: 94%) which, despite Covid, reflects the excellent relationships Advantage has always enjoyed with its customers. In turn these depend upon the work Advantage does on customer forbearance, income and expenditure analysis and consistent customer communications. These are evidenced by Advantage's positive and close relationships with the FCA regulator, who recently favourably reviewed collections procedures as part of an industry wide review.

Advantage's second pillar for success depends upon their ability to analyse and anticipate customer circumstances and to tailor finance products for them. This year has seen further strengthening of its under-writing "black box" as it

has continued to widen its use of credit information and refine its scorecard. This has enabled Advantage to cautiously under-write a record 1.5m loan applications during the year despite Covid (2020: 1.4m), providing a solid platform for the selection of good quality customers in uncertain times. Evidence of the improvement in customer repayments this should bring about is in our first payment statistics which at 98.5% are now up on pre-Covid levels.

The third pillar of Advantage's success relates to its relationships with its introducer brokers – strengthened this year through their maintaining the supply of credit throughout the various Lockdowns and by carefully testing and learning new products to cater for changing customer needs. These relationships continue to both improve the efficiency of the loan process and, together with continuous improvements in our underwriting should see a significant upturn in Advantage's approval/transaction rates. These in turn will lead to increase in transactions growth, market share and debt yield.

The Victorian Prime Minister Benjamin Disraeli once said "there is no education like adversity". Advantage has used the hiatus in growth caused by Covid to set out a strategy for major improvements to an already successful business. Whilst the whole process is guided by Graham Wheeler in his first – slightly over-eventful – year as Chief Executive, great credit also goes to his team of directors and all the staff at Advantage for the results they have achieved and the fundamental progress they continue to make.

£246.8m
Motor Finance Net Receivables (2020: £280.8m)

£34.1m
Property Bridging Net Receivables (2020: £21.0m)

Aspen Bridging

Just as the more apocalyptic predictions about the UK housing market made in early 2020 have proven wrong, so it was in the year of Covid that Aspen, our property bridging finance provider, unequivocally demonstrated its potential for making a substantial and sustained contribution to the success of the Group.

Profit Before Tax for the year is £0.8m (2020: £1.2m), and this despite a first half during which the property market was effectively frozen. Although this reduced profits in the first half to just £118,000, Aspen produced £695,000 profit in the second half. The main deficit on last year related to lower interest income from a dearth in deals in the first half.

As a result of a strong second half when transaction numbers more than doubled from 25 in the first half year to 55 in the second half year, advances for the year reached £43.5m against £31.3m last year. Average gross loan size was £550,000 against £432,000 in the first half. As consumer confidence returned and Aspen's product range was made more competitive, broker relationships were developed and key partners were incentivised, so Aspen's loan book grew to £34.1m against £21.0m last year. In addition, recent months have seen the introduction of a light development product for the burgeoning small refurbishment market, and CBILS (Coronavirus Business Interruption Loan Scheme) validation which for its limited duration will bring further small business deals at good margins.

A1 Chairman's Statement
continued

All this has been achieved whilst tightening checks on borrowers and on the valuations which underpin our lending policies. Loan quality has improved over the past year and Aspen now has no loans past due and no defaults over the entire book.

This gives Aspen both the base and the momentum for the substantial growth it expects in the coming year. As a result, our deliberately cautious investment in the business is anticipated to double during the coming year and this is expected to deliver a significant rebound in profits. This will reflect the market credibility of the business and the hard work of both Ed Ahrens, Chief Executive, Jack Coombs, his deputy, and their growing team over the past year.

Dividends

Just as the wise person invests and re-invests for the longer-term, so we have always believed that S&U's dividend policy should reflect the long-term trading prospects of the Group- not just the vicissitudes of the short-term. At S&U, where shareholders capital and management's stake in it have been invested for many years, dividends should reflect this consistency of loyalty as well as our confidence in future trading. Throughout the pandemic, S&U has not furloughed staff nor taken any Government support. Therefore, we have decided this year that a combination of confidence in the post Covid recovery, S&U's financial strength and the prospects for our businesses justifies a final dividend of 43p per share (2020: 50p). Subject, as always, to the approval of shareholders at our AGM on the 20th May 2021, this final dividend will be paid on 9th July 2021 to those on the register on the 18th June 2021.

Total dividends for this year would therefore be 90p per ordinary share (2020: 120p). On this year's Earnings per share of 120.7p (2020: 239.6p), this will see cover at 1.34 times (2020: 2.00 times). We expect gradually to return to our habitual ratio of twice covered over the coming years.

Funding Review

As predicted in my statement last year, the effect of Covid lockdowns and the robust and improving collections performance at Advantage has resulted in significant cash generation there. Borrowing at Advantage has fallen by £32m during the year. This is partly offset by our growing investment in the shorter-term Aspen bridging business where borrowing grew by £12.5m during the year.

As a result, Group borrowing at year-end was £98.8m (2020: £117.8m). This saw S&U's traditionally strong gearing ratio fall yet again to just 54.6% against 65.7% last year. Early repayment of £25m of shorter dated maturity facilities during the year means that at year-end £130m of medium-term facilities are available to the Group.

Over the next two years our growth prospects and strategy will require additional funding. This is why post year-end we have put in place additional longer-term facilities of £50m on terms up to eight years. This provides total committed Group facilities of £155m which will be augmented as required.

Governance and Regulation

S&U has now been in business for 83 years, 60 years as a fully listed company, and most of that time has been spent in the highly regulated financial services sector. We note the current trend towards ever more detailed reporting on wider ESG responsibilities particularly through our Section 172 Statement. However, we have always held the view that any serious company with sustainable ambitions should recognise that it does not exist in a vacuum. We all have responsibilities, not only to our shareholders and staff but, morally and in our own commercial interests, to our customers and to a wider, albeit often ill-defined, "community." These exist in addition to demands made upon us by the FRC or the Corporate Governance Code. Whether the box-ticking approach adopted by some institutional advisors to these issues is either proportionate or advances responsible business is a matter of debate. What is clear is that the British economy, even free from European legislation, will struggle to better a growth rate of around 1.5% a year unless the corporate sector can convince the public of the virtues of free enterprise in providing for a decent, opportunity driven society.

That will be achieved by practical action not virtue signalling. Examples abound. Thus, in December the Financial Conduct Authority completed a review of collection procedures in the motor finance industry. This followed the imposition of payment holidays and increased concerns about vulnerable customers during the pandemic. Following the review Advantage received positive comments for their treatment and communication with their customers, particularly vulnerable ones.

Again, on diversity and opportunities for all, it has always been S&U's policy to recruit and promote from as wide a pool of talent as possible, solely on the basis of aptitude and ability. In an ever-evolving society this should make quotas unnecessary. For instance, recent recruitment at Aspen has been primarily from the "BAME" community, and from both sexes. What their sexual preferences are is neither known nor of interest to us. All are thriving.

Being largely office based, S&U's direct impact on the environment is confined to the premises we use and how we reach them. The past year has seen substantial refurbishment and improvement in new buildings at Advantage's Grimsby HQ. This will reduce our carbon footprint and, more important, provide a better working environment for our employees. Further, the successful adoption of home working during Covid will see this continue, so that more flexible patterns of work in future will offer environmental, convenience and psychological benefits for those who value it.

Finally, like any environmentally socially responsible business, S&U aims to ensure that the vehicles and property it finances contribute towards a cleaner and more sustainable world. Aspen monitors this through monitoring whether EPC and other standards, especially for new builds, meet Governement guidelines and the requirements of mortgage lenders. Advantage aims to ensure that the vehicles it finances are cleaner too. Its

ability to do this is obviously constrained by our customers' preferences, which presently favour the internal combustion engine. This is partly due to the lack of a charging infrastructure and, primarily, to EVs still being too expensive. Thus, even a five-year-old Nissan Leaf, with average mileage, sells for £12,000, the top end of the affordable non-prime price range.

The transition to EVs is therefore likely to be evolutionary not revolutionary. Although EV registrations in the UK trebled last year to 108,000 vehicles, this still comprised just 7% of UK car sales. Even by 2030 when the sale of new ICE vehicles will be banned, EVs are estimated to only make up 9% of the UK car parc.

Nevertheless, Advantage foresees exciting opportunities and has established a working party to study the development of the EV market and to prepare strategies and products to take advantage of it.

Current Trading and Outlook

Although uncertainty still surrounds the economic climate following Covid, the skies are definitely brightening. As I predicted last year the suppression of consumer demand and confidence is likely to be temporary and will not alter the fundamentals underpinning the demand for the vehicles and properties S&U finances.

This is already evident in our most recent applications figures for both Advantage and Aspen, and bodes well for the rebound in activity we anticipate this year. Recent Government measures announced in the Budget, particularly in relation to the extension of the furlough,

A1 Chairman's Statement
continued

stamp duty concessions and business support measures should, in conjunction with the vaccination programme, make a swift return to the new economic "normal" even faster than anticipated.

Beyond that, our ability in the UK to double our "natural" rate of GDP growth to at least 3% per annum will depend upon the Government's appetite for the kind of regulatory easing and tax incentives for enterprise which Brexit brings within our reach. In the meantime, as the teams at Aspen and Advantage have proved so ably this year, S&U will continue to make the kind of operational and product improvements which have been features of the past year, and indeed of our history.

Given the pressures and dislocation they have faced in the past year, on behalf of your Board, I pay a humbled tribute to our superb staff, and indeed their families. It is above all my confidence in them as well as the financial strength and strategic direction of S&U, that allows me to predict a return to our habitual levels of success.

Anthony Coombs
Chairman

29 March 2021

A2 Strategic Report

Overview

The directors are required to publish a Section 172(i) statement showing how they have fulfilled their duties under the Companies Act 2006.

How S&U's directors do this is set out below in our Strategic and Business Review (A2), our Corporate Social Responsibility Review (A4), our Chairman's Statement (A1) and our Governance Section (B3). The Board has reviewed these documents, how they describe the company's decision-making processes and the issues which most inform S&U's business strategy. Specific examples of how the process works have been provided. As a result, the Directors are confident that first, the report fully covers areas of relevant disclosure such as on Strategy, Employees, Stakeholders, Suppliers, Customers, Community and Ethics. Secondly, that the extent of these disclosures is consistent with the size and complexity of the business.

A2.1 Strategic Review

S&U's purpose and vision is to maximise profit and returns to its shareholders in a sustainable and responsible way. This provides security for our employees, fairness for our customers, credibility for our financial and other partners and, ultimately, the ability to enhance the communities and environment in which we live.

S&U operates in two areas of specialist finance. The first and most established is Advantage Finance, based in Grimsby and engaged for the past two decades in the non-prime sector of the motor finance business. During those 20 years the remarkable success of Advantage in producing competitive finance products, lent responsibly with excellent customer service has been reflected until this year, in a record of 20 years of consistently increasing profits.

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

As a result, Advantage currently receives over 1.5m applications a year and has written over 190,000 customer loans since starting trading in 1999.

Of course, Advantage serves an evolving motor market. Covid related lockdowns have seen new car sales fall from 2.3m in 2019 to 1.6m in 2020.

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

The year also saw a further decline in the public's appetite for new diesel engines that sales fell by 43.3% year on year according to the Society of Motor Manufacturers and Traders' (SMMT) statistics. Petrol vehicle new sales fell by 29% while those of electric and hybrid vehicles rose by 57.5%, albeit to just 252,129 of total new registrations of 1.6m vehicles.

Undoubtedly these trends will continue, although the shape of the UK's total "car parc" will change more slowly. EV sales will undoubtedly rise as they become more affordable, battery life improves and infrastructure for charging is upgraded. Advantage's current estimates predict that by 2030 new registrations of petrol vehicles will constitute about 20% of the market, diesel will be negligible whilst hybrid and electric sales will take 80% of the market, 30% of which will be EV.

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

The first pillar of Advantage's success is the buoyancy of the used car market in which it operates. Overall the UK Used market's resilience was demonstrated last year, when following dealer closures during the first Spring lockdown which reduced transactions to 20% of normal, the final quarter saw a return to levels of 140,000 finance transactions per month, higher than at any time in the past three years and causing the highest used car price growth in a decade.

The second pillar of Advantage's success relates to its own commitment to excellence. The quality of our relationship with introducing brokers, dealers and our customers is based upon a continuous and relentless search for product and service improvement. Successful business is the result of a thousand small improvements rather than a very few revolutionary ones. In recognising the importance of its statutory obligations and relationship with the FCA in ensuring that customers are treated fairly, Advantage's care for its customers has historically been central to its success. Thus, this year saw continued refinement of its already sophisticated underwriting scoring and affordability processes. A new credit reference provider and a dedicated customer services department came on stream in 2020. Our commitment to our customers is summed in Anita Roddick phrase – "good business really is good business."

The third pillar of Advantage's success depends upon its proven ability to adapt to a changing economy and labour market and the impact they may have on our customers. Particularly during the Covid Pandemic and the various associated employment, expense and payment "holiday" impactsthis has brought, non-prime customers can find that their disposable incomes are more unpredictable. Advantage's under-writing model has been constantly refined in the light of over 20 years of customer service. We appreciate that the customers life journey evolves over their loan term. This demands that responsible lenders continually analyse repayment behaviour, and then use it, within the collections department, in dealing with and supporting our 64,000 customers.

Whilst lending is on a fully secured basis, debt quality at Aspen, our property bridging lender does rely on the experience and reliability of the borrower as much as on the value of the property being financed. After a frozen first half, the residential market has defied predictions of a 13% price fall and produced, according to the ONS, Nationwide and Savills price increases are between 6% to 8% and increasing levels of activity. Thus, the end of 2020 has seen 104,000 mortgage approvals, rising activity as lock-down restrictions fall away and the Government's Stamp Duty holiday is extended.

These trends are reflected in recent Aspen transaction volumes which more than doubled in the second half – and also in the quality of the loan book. Pent up demand for home ownership stimulated by the Government's low deposit home ownership schemes, as well as refurbishment opportunities within Britain's environmentally sub-standard housing stock, lead us to predict a very exciting future for our Aspen Bridging business.

"Mainstream" banks, including the newer "challengers", continue to lack speed, flexibility and appetite to furnish the smaller, short-term loans in which Aspen specialises. As Ernst & Young pointed out in their 2019 UK Bridging Market Study, technology, speed and a quality bespoke service – as well as price – are what give smaller entrants like Aspen their competitive edge.

Our over-arching factor in the success of our business over 80 years and through three family generations of management is our business philosophy. The identity of interest between management and shareholders has fused our ambition for growth with a conservative approach to both credit quality and funding.

A2.2 Business Review

Operating Results

From continuing operations	**Year ended 31 January 2021 £m**	Year ended 31 January 2020 £m
Revenue	**83.8**	89.9
Cost of Sales – Impairment	**(36.7)**	(17.2)
Cost of Sales- Other	**(14.3)**	(19.9)
Gross Profit	**32.8**	52.8
Administrative Expenses	**(11.1)**	(12.8)
Operating Profit	**21.7**	40.0
Finance Costs (Net)	**(3.6)**	(4.9)
Profit before Taxation	**18.1**	35.1
Taxation (note 9 in the accounts)	**(3.5)**	(6.2)
Profit after Taxation	**14.6**	28.9

Advantage Motor Finance

- PBT £17.2m (2020: £34.0m) despite Covid dislocation.
- New transactions at 15,600 (2020: 23,334) reflecting dealer closures and tightened under-writing during Covid.
- Collections at £180.3m (2020: £196.5m) due to FCA payment holidays, lower volumes and fewer settlements.(note 1.13).
- Provisions of £36.0m (2020: £17.2m) reflect increased forbearance and a more uncertain forward looking economic environment.
- £32m reduction in Advantage borrowings as despite the significant impact of payment holidays this year collection rates achieved an annual 83.9% of due (2020: 93.5%) and 90.3% in the final month (2020: 94.6%).
- £2.8m reduction in overhead and interest costs including £0.7m historic VAT refund, despite no resort to furlough.
- ROCE at 8.6% (2020: 15.2%) (note 1.13)

Although a 20-year run of continuously increasing profits at Advantage was ended by Covid and its consequences, PBT was still a creditable £17.2m (2020: £34.0m). This primarily resulted from a fall in income from a lower level of new deals throughout the year and by a conservative approach to provisioning to reflect lower repayments as nearly 21,000 customers took advantage of FCA proffered "payment holidays". Whether these provisions will ultimately be required, depends upon the payment recovery of those taking these holidays. It is encouraging that over 80% of our loyal customers returning from holidays paid a full contractual payment within 30 days of the payment holiday end date.

This resilient performance was reflected in a risk adjusted yield before finance costs of 16.4% (2020: 25.5%) (note 1.13).

Despite these head winds, Advantage used the hiatus in trading during Covid to prepare for the rebound in transactions, collections and profitability expected next year and already evident in the last quarter of 2020/21. No staff member was made redundant or even furloughed. All but 25 now working in the Grimsby office, have successfully made the transition to home-working, a pattern likely to be at least partially adopted in the future.

Significant progress continues to be made in customer under-writing and communications, in product design and in affiliate partnerships which, together with significant investment in IT will ensure that Advantage retains its industry leading position – clearly demonstrated by the consistency and resilience of its results over the past 20 years.

Aspen Property Bridging Finance

- PBT at £0.8m (2020: £1.2m) despite Covid first half shut-down.
- 80 deals (2020: 57) of which 55 were in the second half.
- Net receivables up to a record £34.1m (2020: £21.0m).
- Book quality best ever as all default cases collected in this second half.
- Collections at £34.0m (2020: £32.3m).
- Gross advances at record £43.5m (2020: £31.2m).

Despite predictions at the outset of the Covid Pandemic of 18% fall in prices in the year, the residential property market actually produced an average price increase of 6%. Although transactions in the first half were affected by the lock-down on viewings, the second half at Aspen saw a doubling of deals so that advances overall reached a record £43.5m and net receivables £34.1m. Book quality improved as default cases were collected leaving only two at year end, both of which cleared in February. Aspen's product range was extended and a new light development loan introduced to cater for the burgeoning demand for refurbishment from small builders, presently not catered for by mainstream banks.

Aspen offers a bespoke, simple and speedy service to this sector. Each client has a dedicated account manager who is responsible for monitoring refurbishment progress, visiting the property and ensuring that anticipated exits – usually through re-finance or sale – are being planned and organised.

To facilitate this, last year Aspen recruited an additional two underwriters, strengthened its IT department and appointed an experienced customer relationship manager to serve the growing number of regular introducer brokers with which Aspen transact.

A2.3 Funding and Balance Sheet Review

As anticipated at the on-set of Covid, lower sales at Advantage and the quality of its loan book made for cash generation in the year of £31.6m. This was partly off-set by investment of £12.4m in Aspen as advances grew in the second half. Overall this meant that S&U Group borrowings fell by £19m in 2020 to £98.8m and Group gearing to 54.6% (2020: 65.7%). During the year the Group's committed loan facilities saw prudent early repayment of £25m of our shortest dated maturity facility to reach a total of £130m. However, post year-end, our confidence in the demand for both our motor finance and property bridging products as the economy and consumer confidence rebounds saw S&U arrange further medium-term facilities stretching to 2028/2029. This takes total facilities to £155m which gives S&U substantial headroom for growth.

A2.4 Principal Risks and Uncertainties

Whilst the fundamentals underline the way in which we operate our business, our stable and conservative as usual, Covid and its fall-out makes the expectations of the FRC and other Corporate Governance bodies on wider economic forecasting slightly unrealistic. Whilst the Office for Budget Responsibility currently expects the British economy to grow by 4% in 2021 and by over 7% next year, opinions vary widely on the course of the labour market post furlough. S&U has therefore budgeted with a balance of confidence and caution and will regularly monitor our expected progress this year against wider economic and political developments.

A2.4.1 Consumer and Economic risks

The Group is involved in the provision of consumer credit and it is considered that the key material risk to which the Group is exposed is the credit risk inherent in amounts receivable from customers. This risk is principally controlled through our credit control policies supported by ongoing reviews for impairment. The value of amounts receivable from customers may also be subject to the risk of a severe downturn in the UK economy which might affect the ability of customers to repay.

The impact of Covid and uncertainty regarding the evolution of Brexit have adversely impacted the economy during the past year and projected higher levels of unemployment may lead to more motor finance repayment delinquency. However, Advantage historically has been resilient through adverse macro economic conditions and so we currently believe these risks are limited. Further, whilst economic risk has increased over the past year, the Covid vaccination programme, an increase in consumer saving of a reported £100bn over the past year, pent up demand and Government subsidies should help the economy recover strongly.

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

A2.4.2 Funding and Liquidity Risk

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

A2.4.3 Legal, Regulatory and Conduct Risk

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

A2 Strategic Report
continued

ensure compliance with this legislation. Advantage directors are prominent members of the Finance and Leasing Association's committees and, through them, regularly liaise with the FCA. Advantage also engages in regular "face to face" liaisons with the FCA and the relationship is excellent.

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

This year saw the appointment of Alan Tuplin, formerly Head of Credit, as Chief Risk Officer of Advantage. Alan has over 20 years of experience in non-prime motor-finance to bring to the role.

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

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

A2.4.4 Operational Risk

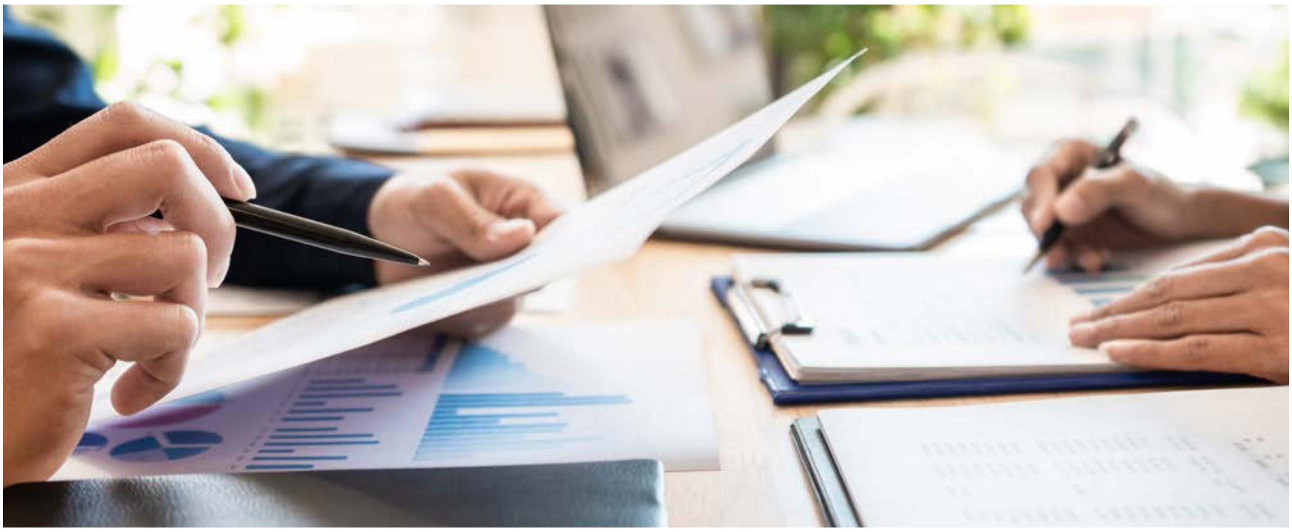
The Group is also exposed to operational risk including the risk of not maintaining effective internal systems, organisation and staffing. During Covid increased use of technology and excellent application by our staff has helped the management of this systems risk and the Company has Cybersecurity measures in place which are regularly tested. Operations are led by highly experienced management teams with a strong communication, recognition and reward culture.

A2.4.5 Risk Management

Under Principle 28 of the 2018 UK Corporate Governance Governance Code, the Board is expected to establish procedures to manage risk, identify the principal risks the Company takes in order to achieve its strategic objectives and to oversee an effective internal control framework. In addition, the FRC now expects Boards to assess emerging risks to the company's strategy, although what is precisely meant by these has yet to be clearly defined.

Although compliance with the Code is the responsibility of the Board as a whole, risk in particular is independently assessed by members of the Audit Committee. They receive regular reports, both from the management of Advantage Finance and Aspen Bridging and from S&U's external and internal auditors. These concern the effectiveness of the risk management and internal control systems. Executive changes are regularly made to reinforce these procedures. For instance, at Advantage they have seen the appointment of a new Compliance Director to the Board reporting to the Chief Risk Officer who is responsible for the whole enterprise risk management framework. At Aspen, appointments of an independent Under-Writing Manager and a customer relations team are further examples of this trend. This ensures that underwriting is an independent function from an early stage in the loan process.

As outlined above, the Audit Committee oversees the work of RSM, S&U's Internal Auditors. The Committee meets regularly to receive specific reports on RSM's work, which includes Cyber Security, GDPR oversight and Cash Management Procedures amongst many other areas. The Committee also recently received and approved a report on Governance at Advantage. All Senior Management Regime designations include S&U Board executive directors who serve on the Advantage board.



A3 Statement of Viability and Going Concern

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

Statement of Viability

In assessing the viability of the Group as required by the UK Corporate Governance Code, the directors considered funding, business planning, financial forecasting and risk evaluation cycles and concluded that a three-year period was appropriate for viability assessment. The three-year period is consistent with the Group planning horizons.

The directors therefore considered the three-year period commencing 1 February 2021 and assessed the prospects of the company taking into account:

- the Group's current position as set out in these financial statements;
- the principal risks facing the Group as set out in A2.4;
- information regarding the current prospects of the Group; and
- current information regarding the onset of the Covid virus.

The directors then considered the same three-year period commencing 1 February 2021 to consider as required if they had a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three-year period taking into account:

- the impacts of different macroeconomic scenarios and whether any severe shock could threaten the Group's future performance, solvency or liquidity;
- funding and financial forecasts for this period and the underlying assumptions by considering the potential impact of the principal risks facing the Group, as set out in A2.4.
- analysis of key sensitivities which could affect profitability during the viability period; Assumptions made are clearly stated and additional scenarios are modelled to demonstrate the potential impact of risks and uncertainties on profitability and funding; and
- information regarding mitigating actions which can be taken.

Having considered all relevant information, the directors confirm that they have robustly assessed the principal risks facing S&U plc. From this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period commencing 1 February 2021.

Statement of Going Concern

In assessing the appropriateness of the going concern assumption, the directors are mindful of the need to effectively manage the Group's risks and internal controls. Details of the Group's financial risk management objectives, its financial instruments, and its exposures to credit risk, market risk, liquidity risk and economic risk including Brexit and Covid risk are set out in the notes to the financial statements (note 1.2 further considers the Covid situation) and in the principal risks and uncertainties noted in A2.4 above. The Group's objectives, policies and processes for managing its capital are described in the notes to the financial statements.

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

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

OUR CUSTOMERS

CASE STUDY

Ms G lives in County Durham with her partner and works as a Duty Manager in a Care Home. She first took out motor finance with Advantage in 2017, with a balance still on the loan Ms G wanted assistance with her motor finance requirements and approached us for advice in September 2020. She dealt with Natalie, a customer advisor working as part of the Advantage new business team.

Ms G's credit profile was assessed as part of the application, together with her overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for her circumstances. Despite the historic CCJ (2019) Ms G paid all of her bills on time and didn't have any other credit commitments. Of course, her previous Advantage loan was also present which itself had an excellent payment history.

Ms G's application was approved and after being given an indication of her credit limit, settled on a Kia Sportage from a dealer of her choice. After agreeing to a part-exchange allowance on her previous vehicle which amounted to the settlement figure for Ms G's previous agreement. After settling the original agreement this left a purchase price of £7,513, which Advantage arranged a loan to be repaid over 35 months at monthly repayments well suited to Ms G's budget and only slightly higher to those payments made on her previous agreement.

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

Ms G took the time to review her experience on an online review site and was clearly happy with the service she received from Advantage, leaving the following comments below as part of a 5-star review.

"I refinanced my car recently. Natalie dealt with everything for me. Natalie kept in touch with me all through the process which was dealt with very quickly. Natalie was absolutely amazing even on my mini melt downs. I cannot thank or praise her enough. Definitely top marks from me. Thank you again."

Ms G

CASE STUDY

> "This is the 4th time using Advantage finance, for the purchase of a motorbike. There was no pressure sales from Jodie even when I couldn't make my mind up about buying a new vehicle. Would recommend Advantage to anyone wishing to buy a vehicle."

Mr C

Mr C lives in Derbyshire with his partner and is a panel beater. He first took out finance with Advantage in June 2015, 2016 and again in 2018 with all three loans being paid off at the end of their respective terms.

At the end of June 2020 Mr C was again looking for financial support to allow the purchase of a motorcycle and made a direct approach to Advantage in order to enquire about assistance for his motor finance requirements, and dealt with Jodie, a customer advisor working as part of the Advantage new business team.

Mr C's credit profile was assessed as part of the application, together with his overall income and outgoings to ensure that the proposed loan was again appropriate and affordable for his circumstances. Of course, Mr C's previous Advantage loan was also present which itself had an excellent payment history.

Mr C's application was approved and after being given an indication of his credit limit, settled on a vehicle from a dealer of his choice, after agreeing to a £9,000 purchase price, Advantage provided a £9,000 loan to be repaid over 59 months at monthly repayments well suited to Mr C's budget and around the same as those payments made on his previous agreement.

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

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

OUR CUSTOMERS

CASE STUDIES

RAPID DESKTOP TWO 5-DAY DEALS MIDLANDS - £193K & £128K

Aspen has completed two auction purchase deals in five days each for one applicant. Both cases had entered notice period deadlines and needed fast solutions to enable completion.

The first was in July to purchase and renovate a detached property in Birmingham. Aspen rapidly provided a £193k bridge at 73% LTV with a six month rate of 0.59% per month.

The borrower returned in August for a £128k bridge to secure a three-bedroom terraced in Solihull which required renovation. The deal was also at 73% LTV with a six-month rate of 0.59% per month.

A Senior Underwriter at Aspen took both applications from start-to-finish.

In both instances a fully-costed quote was provided and Aspen undertook desktop valuations and visited both properties in person to review and provide the valuer with measurements and photos within 24-hours of the cases being introduced, and on the same day issued formal lending offers via solicitors.

"What you see here is as good as lending can ever get in United Kingdom. Aspen make it possible for us to do what we do best, and that is helping our clients achieve their financial needs as quickly as they need to."

Broker feedback

4 DAY DEAL HOLLAND PARK - £1m FOREIGN NATIONAL

Aspen has completed a £1m bridge in four working days for an experienced Hong Kong based buy-to-let investor and saved a £100k deposit.

The lender was approached on December 3rd with a hard deadline of December 8th as the notice to complete had already been served on a newly refurbished three-bedroom maisonette in Holland Park.

The £1m, 69% LTV agreement was completed on the lender's flat rate product at 0.89% per month over a 10-month term and was handled from start-to-finish by an Aspen Bridging Underwriter.

A4 Corporate social responsibility

A4.1 Employees

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

We ensure that all staff receive appropriate initial training and regular re-training in the field and in areas of specialism. We encourage employees to gain professional qualifications where appropriate. External management training is also undertaken in the motor finance division. As required by legislation, we confirm that as an organisation, we respect and recognise human rights in all aspects of our business.

The FCA Regulatory regime is centred on our Treating Customers Fairly. All employees within the Group are required to demonstrate appropriate knowledge and skills. Annual appraisals highlight areas of training needs for all employees and Advantage Finance is an accredited investor in people.

The Group's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of their employment. Suitable opportunities and training are offered to disabled persons in order to provide their career development. It goes without saying that a Group based on a family ethos has no truck with discrimination of any kind – except of course on the basis of performance. Further equality and diversity information is contained in the corporate governance report on page 49. 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 or to our head office in Solihull. Our records demonstrate we enjoy high levels of customer satisfaction and 44 of only 74 complaints which reached the Financial Ombudsman Service in the year were decided in the Group's favour (2020: 68 of 92 complaints were decided in the Group's favour). In the year to 31 January 2021, 74% of complaints which reached the Financial Ombudsman Service were related to the satisfactory quality of the vehicle (2020: 71%) and therefore not related to operational issues within Advantage.

S&U supports its wider community through charitable giving and activities relating to fundraising. During the year the Group gave £94,500 (2020: £93,000) 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. Amongst other causes, last year the Company supported The National Institute for Conductive Education, which deals with adults and children with cerebral palsy, strokes and head injuries. It is also working with Whizz-Kidz to provide equipment for disabled children and to offer employment opportunities to wheelchair users.

As an independent charity, The Keith Coombs Trust also makes financial contributions to the arts, to sport and in supporting the Christian faith. It was the initial sponsor of the new "Ballet Now," an initiative at the Birmingham Royal Ballet that encourages young choreographers, designers and composers. It sponsors youth development at a local cricket club and also supports the "Leap of Faith" project which assists the wider UK Church in adapting to a digital future.

A4.3 Health and Safety and Diversity Policy

S&U takes its responsibilities towards the health, safety and good working environment of its employees very seriously. However, in the finance field it is not engaged in the kind of processes which compromise health and safety for either our staff or our visitors. Nevertheless, it seeks to provide a congenial and productive working environment. In the past year a new building has been refurbished for employees at Advantage which will improve and maximise space, ensure Covid safety and provide better break out areas. S&U'S Head Office, which also houses Aspen, provides up to date, spacious and high-quality accommodation.

A4 Corporate social responsibility
continued

It therefore goes without saying that in a Company where family values are so prized, and where staff turnover is so low, that workers are always treated fairly without any form of discrimination. Recruitment and promotion decisions, whilst reflecting the social and racial makeup of the areas in which we operate, are always based on ability and aptitude, not according to any racial or gender stereotypes.

A4.4 Climate Change

In July 2019 the Financial Reporting Council issued a joint statement with other regulators on how companies should report on the effect of their activities on climate change. This follows the Government's publication of its Green Finance Strategy which anticipates mandatory disclosures by 2022.

Through Advantage Finance, S&U is indirectly involved with the motor sector and the emissions it inevitably creates. Both for commercial and climate change reasons, the Board monitors the type and age of the vehicles Advantage finances. However, it has no direct control, nor should it have, over the customer's choice of vehicle and the view on economy, efficiency and the environment this choice implies. Currently about half of customers opt for diesel vehicles, whilst the proportion of fully electric vehicles, principally on the grounds of their significant cost, is at present negligible. These proportions will change over the next thirty years as we detail in our comments on the market in our Strategic Review.

Our ability to influence our customers environmental decisions at Aspen Bridging is equally constrained. Nevertheless, statutory requirements to publish Energy Performance Certificates for residential properties to let, as well as building regulation requirements for substantial refurbishments, do reflect our customers environmental responsibilities. S&U's own direct environmental footprint is reported in the table on this page.

Greenhouse gas emissions data

For period 1 February 2020 to 31 January 2021

	Tonnes CO2	
From continuing operations	**31 January 2021 £m**	31 January 2020 £m
Scope 1 (Direct emissions)		
Combustion of fuel – Petrol & diesel used by company cars	**49**	115
Gas consumption	**11**	13
Air conditioning systems	**20**	29
Scope 2 (Energy indirect emissions)		
Purchased electricity	**62**	53
Total scope 1 and 2	**142**	210
Scope 3 (Other indirect emissions)		
Water consumption	**1**	2
Waste	**3**	9
Total scope 1, 2 and 3	**146**	221
Company's chosen intensity measurement: Normalised tonnes scope 1, 2 and 3 CO2e per £m turnover	**1.7**	2.3

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

We have reported on all material emission sources we deem ourselves responsible for. S&U Group operations are solely based in the UK and so 100% of our underlying global energy use is in the UK. Energy usage was lower during the pandemic year to 31.1.2021 as fuel for travel in particular reduced. During the year we also added timing on kitchen hot water boilers and lagging to heating pipes in our Grimsby buildings.

For the year ending 31.1.2022 turnover, travel and office use are all likely to re-increase as lockdown eases and we are therefore targeting below 2.2 normalised tonnes per £m turnover for year ended 31.1.2022.

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food & Rural Affairs ("DEFRA") and updated HM Government SECR guidance dated March 2019. We have also utilised DEFRA'S 2020 conversion factors within our reporting methodology.

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

A5 SECTION 172 STATEMENT

The Directors confirm they have considered their obligations under S172 of the Companies Act 2006 including their duty to promote the success of the company and how they have engaged with the following key stakeholders in the business:

1. Our Customers

S&U focuses on;

- making the customer the heart of our business; and
- having respect for every customer and always treating customers fairly.

Key actions taken demonstrating how we do this are set out in section A2.1 above. The outcomes of this customer engagement are reflected in high customer satisfaction ratings, low levels of complaints and above all the Group's success over the last two decades.

2. Our Employees

S&U maintains a family ethos for all those who work within it.

Key actions taken demonstrating how we do this are set out in section A4.1 above. The outcomes of this employee engagement are reflected in a streamlined management structure, high staff retention rates, high skill levels, positive reward and recognition and a strong culture of continuous improvement.

3. Our Business Partners

S&U continuously seeks to nurture and improve key business relationships with our key introducing brokers, dealers and key suppliers.

Key actions taken demonstrating how we do this are set out in our strategic report above. The outcomes of these key actions are reflected in the positive feedback and high retention rates for our partners and in the steady, sustainable and successful growth of the Group in the past two decades.

4. Our Investors and Funding Partners

S&U's significant family management shareholdings means an identity of interest between shareholders and the management of the company and together with help from trusted advisers maintains close relationships with investors, analysts and also with long term funding partners.

Key actions taken demonstrating how we do this are set out in section B3.2 of our corporate governance report and in section A2.3 of our strategic report. The outcomes of this investor engagement help underpin the total shareholder return graph on page 42. The outcomes of this funder engagement help the strong balance sheet and treasury position outlined in this annual report and accounts.

5. Our regulators and other statutory bodies

S&U has a strong compliance culture which is overseen by management and the audit committee with help from our internal auditors RSM.

Key actions demonstrating how we do this are set out in section B3.1 of our audit committee report. The outcomes of thes actions has led to positive feedback from regulatory and other statutory bodies of which the Group is proud.

6. Our Community and Our Environment

S&U does not exist in a vacuum and prides itself on supporting the wider community and looking after its environment.

Key actions demonstrating how we do this are set out in section A4 of the strategic report. The outcomes of these key actions has led to a low environmental footprint and the community and charity support set out in section A4.2 above.

In assessing the Group's engagements within our 6 stakeholder areas above, the directors have also ensured such engagements the Group's values, business model, key performance indicators and principal risks as set out in the strategic report above.

A5. APPROVAL OF STRATEGIC REPORT

Section A of this Annual Report comprises a Strategic Report prepared for the Group as a whole in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

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

Anthony Coombs
Chairman

29 March 2021

Corporate governance

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B1 Board of directors

Anthony Coombs MA (Oxon)
Chairman

N

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.

Chris Redford ACA
Group Finance Director

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

Graham Wheeler
CEO Advantage Finance

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

KEY

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

Jack Coombs
MA (Oxon) ACA
Executive

Co-founder of Aspen Bridging. Joined S&U in 2016 as Group Development Executive having previously worked in PwC's Valuations team and qualified there as a chartered accountant.

Member of the Lender Committee for the Financial Intermediary and Broker Association (FIBA) industry body.

Demetrios Markou
MBE FCA
Non-executive

N A R

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

Tarek Khlat
Non-executive

N A R

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

Graham Pedersen
Non-executive

N A R

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

B2 Directors' Remuneration Report

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

B2.1 Report of the board to the shareholders on remuneration policy

Introduction

On behalf of your Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2021.

Covid has created a great deal of uncertainty to many businesses and industries over the course of the last year and as a supplier of credit to consumer households our business has been equally affected. As a result, Group profit before tax is £18.1m for the year ended 31 January 2021 (2020: £35.1m).

This year, consistent with the usual 3 year review period, we set out an amended Remuneration Policy in section B2.2 which will be put to the 2021 AGM. We will also be implementing an updated long term incentive plan as the previous plan expired during 2020. Any changes to the policy are noted in section B2.2. This amended Remuneration Policy and the updated long term incentive plan will be subject to a binding shareholder vote at the Company's AGM on 20 May 2021.

The Company's current forward-looking Remuneration Policy was approved with a binding vote at AGM on 18 May 2018 and a copy of our full Remuneration Policy Report is available on our website www.suplc.co.uk.

This year's annual Directors' Remuneration Report sets out how the Remuneration Policy was applied during the year ended 31 January 2021 and provides details of amounts earned in respect of the yearend end 31 January 2021. It also sets out how the Remuneration Committee has decided the Remuneration Policy will be operated for the year commencing 1 February 2021 (subject to a binding vote at the 2021 AGM).

2020/21 key decisions and pay outcomes

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

Consumer motor finance, property bridging markets and our customers were significantly impacted by the Covid pandemic and the associated remedial actions of government, regulators, customer employers and business partners. Group profit before tax reduced from £35.1m to £18.1m during the year to 31.1.21. Loan advances, collections, early repayment indicators and profits were all significantly impacted in the first half of the year and have then improved in both Advantage and Aspen in the second half of the year to help deliver this annual profit. We view this as a resilient performance in the light of the pandemic and associated restrictions.

Advantage saw 15,600 new motor finance agreements during the year with a more cautious underwriting approach from the outset of Covid and good early repayment patterns. This was a very impressive result in consumer motor finance market conditions which were significantly impacted by the lockdowns and restrictions imposed by government as a result of Covid. Repayments this year were also affected by FCA mandated payment holidays and other additional forbearance for our customers, but have improved in the second half of the year and our collections team continue to work diligently to support customers affected by the pandemic.

In its fourth year of operation, Aspen Bridging made 80 new loan facilities lending over £43m. From the 234 new loan facilities made since its inception in 2017, Aspen has so far received 165 repayments. Overall performance improved in the second half of the year and after a strong finish, the business is targeting increased growth for year end ending 31 January 2022.

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

Anthony Coombs, Graham Coombs and Chris Redford

Based on the underlying profit performance of the Group and Return on Capital Employed ("ROCE"), the Remuneration Committee judged the level at which the annual bonus payments should be made. Group PBT for the year reduced by 48.4% to £18.1m and ROCE was 8%. Although this was significantly below the PBT stretch target level of £38.5m (equivalent to annual growth of 9.7%) for which 100% of bonus would be payable, the Remuneration Committee determined that for the financial year 2020/21, having regard to the extent to which individual performance targets had been met and qualitative measures contributed to, bonuses of £15,000 would be awarded to Anthony Coombs, Graham Coombs and £25,000 to Chris Redford, amounts set at a significant discount to the maximum annual bonus opportunity.

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

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

We strongly believe therefore that these factors should be reflected in the decisions taken regarding the aforementioned bonuses. The Remuneration Committee considers these annual bonus awards to be fair and reasonable and reflective of each director's achievement against individual performance targets and qualitative measures contributed to during the year.

In the first quarter of the financial year, Chris Redford waived his right to the 7,500 LTIP share options disclosed in last year's Directors' Remuneration Report.

Graham Wheeler

The Remuneration Committee welcomes Graham Wheeler to the S&U Board. Graham was appointed to the Board on 29 September 2020 after a year as CEO of our main operating subsidiary company Advantage Finance Limited.

The Committee have considered Graham's management of the Advantage Finance team in light of the significant challenges in consumer motor finance arising from Covid and the associated environment, and although the profit result for the year was significantly below pre-pandemic budgets, based on his role in improving Advantage performance in the second half of the year, the Remuneration Committee judged the level at which the annual bonus payments should be made. For the financial year 2020/21 a bonus of £25,000 was awarded to Graham Wheeler.

Guy Thompson

Guy Thompson resigned as a director of Advantage Finance on 31st January 2020, and as a director of S&U Plc on 10th February 2020. He formally retired from his advisory employed role at 31 August 2020. Mr Thompson did not receive any director remuneration for the year ended 31 January 2021.

Key remuneration decisions and related matters for the year ending 31 January 2022

Salary increases, annual bonus and LTIP

Company profits have been significantly impacted by Covid and the Remuneration Committee has frozen salaries for the executive directors at the same level as year ended 31 January 2021. This is in line with pay review decisions for the wider workforce.

For the year ending 31 January 2022, where the performance targets set are achieved, the annual bonus has been set at £30,000 for Anthony Coombs, Graham Coombs, Graham Wheeler and Chris Redford. Where the performance targets set are exceeded, the Remuneration Committee has the discretion to pay an increased annual bonus and the maximum amount payable will not exceed the maximum limits stated in the Remuneration Policy. The annual bonuses will continue to be assessed against stretching divisional and group PBT targets and Return on Capital Employed (ROCE). Where stretching performance targets are not fully met, the Remuneration Committee can exercise discretion to pay a reduced annual bonus.

The Committee intends to grant 5,000 shadow share options each under the new LTIP to Graham Wheeler, subject to achieving certain Advantage PBT and ROCE targets for the year ending 31 January 2022. The Committee also intends to grant 5,000 shadow share options under the new LTIP to Chris Redford, subject to achieving certain group PBT and ROCE targets for the year ending 31 January 2022.

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

For the year ending 31 January 2022, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs and Graham Coombs similarly provides adequate alignment to shareholders.

Fees for the non-executive directors are also frozen at £35,500 for the year ended 31 January 2022 and for the senior non-executive director at £37,500 for the year ended 31 January 2022.

New Policy

The Company seeks approval for a new Remuneration Policy at the AGM to be held on 20 May 2021. The Remuneration Committee has reviewed the current Remuneration Policy during the year and, having regard to the Company's ongoing business strategy and key performance indicators and taking into account the views of major shareholders, investors and the interests of other key stakeholders and the workforce, determined certain changes which are set out in section B2.2.

The Remuneration Committee continues to welcome Shareholder feedback on remuneration decisions or on any issue related to executive remuneration. I commend this report to Shareholders and ask that you support the resolutions to approve the Company's Remuneration Policy and the Company's Annual Remuneration Report at the Company's AGM on 20 May 2021.

Tarek Khlat
Chairman of the Remuneration Committee

29 March 2021

B2 Directors' Remuneration Report

continued

B2.2 REMUNERATION POLICY REPORT

This section sets out the Remuneration Policy for executive directors and non-executive directors, which Shareholders will be asked to approve at the AGM on 20 May 2021. Until this time the Policy approved by Shareholders at the AGM on 18 May 2018 will continue to apply.

A summary of the main changes that have been made to the Remuneration Policy are outlined below.

Current Policy

The maximum variable remuneration which may be granted (other than in exceptional circumstances) from combined annual bonus awards and LTIP awards is 150% of salary.

In exceptional circumstances, the maximum variable remuneration which may be granted is 200% of salary.

Up to 50% of the bonus earned may be deferred for at least twelve months and usually subject to performance targets in the deferral period and continued employment.

Proposed changes and rationale

No change to overall maximum variable remuneration which may be granted.

A new LTIP is proposed to be implemented allowing for only shadow share options to be granted, removing the option to settle awards with shares so as to prevent any further share dilution.

The shadow share options will provide the opportunity to receive a cash payment equal to the value of the shadow shares under option when the awards are exercised. All awards will be satisfied in cash rather than shares so as not to further dilute existing shareholders whilst ensuring that the value delivered is linked to the Company's share price in order to retain long term alignment.

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

Component	Operation	Opportunity	Performance Measures
Base salary **Purpose:** To help recruit and retain executive directors. To provide the core element of fixed remuneration, which reflects the director's experience and the size and scope of the role.	Normally reviewed annually and fixed for 12 months, but may be reviewed more frequently in cases where an individual changes position or responsibility. Salaries are determined by the Remuneration Committee, who will take into account a range of factors, including, but not limited to: Role, experience and individual performance; Corporate and individual performance; Pay levels for comparable positions in companies of a similar size and complexity; and Group profitability and organisational salary budgets	No maximum salary opportunity has been set out in this policy report to avoid setting expectations for executive directors and employees. The base salaries effective as at 1 February 2021 are: Anthony Coombs: £360,000 Graham Coombs: £345,000 Chris Redford: £232,500 Graham Wheeler: £250,000 Salary increases (in percentage salary terms) for Executive Directors will normally be in line with those for the wider workforce. Where the Remuneration Committee consider it appropriate, base salaries will be moved progressively (including larger salary increases) to a level which is market competitive taking account of individual factors such as: • Increased individual responsibilities; • Performance in role; • A new executive director being moved to market positioning over time; • Remuneration trends within the financial services industry; and • Alignment to market level.	N/A

Component	Operation	Opportunity	Performance Measures
Benefits **Purpose:** To provide cost-effective benefits to help recruit and retain executive directors, through ensuring a competitive overall remuneration package.	Executive directors are entitled to a range of benefits in line with market practice, including, but not limited to, private medical insurance, and a company car. Other benefits may be provided based on individual circumstances. These may include, for example, permanent health cover, death in service benefit, relocation and travel allowances.	Whilst the Remuneration Committee has not set an absolute maximum, the value of benefits is set at a level which the Remuneration Committee considers is appropriately positioned against companies of a similar size and complexity in the relevant market.	N/A
Annual Bonuses **Purpose:** To reward executive directors for the achievement of the annual financial and individual targets. Provide alignment with Shareholders' interests.	Targets are set annually and any pay-out is determined by the Remuneration Committee after the period-end, based on performance against those targets. The Remuneration Committee may adjust the bonus pay- out either up or down should the formulaic outcome be considered not to produce a fair result for either the executive director or the Company, taking account of the Remuneration Committee's assessment of overall business performance. Up to 50% of the bonus earned may be deferred (in cash) for at least twelve months and usually subject to meeting specified performance targets in the deferral period and continued employment.	Up to 150% of base salary (and up to 200% of salary in exceptional circumstances). The combined annual bonus and LTIP opportunities for any year cannot exceed 150% of base salary (and up to 200% of salary in exceptional circumstances).	Targets are set annually, reflecting the Group's strategy and alignment with key financial, strategic and/ or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 80% of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non- financial strategic measures and/or individual performance. Vesting of the annual bonus will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which the performance metrics have been met.

B2 Directors' Remuneration Report
continued

Component	Operation	Opportunity	Performance Measures
Long Term Incentive Plan (LTIP) 2021 **Purpose:** To provide an incentive to executive directors to achieve the annual and longer term financial and strategic business targets and to align their interests with those of Shareholders	A new LTIP has been drafted and is subject to approval by Shareholders at the 2021 AGM. The Remuneration Committee may grant nil-priced shadow share options that will deliver the equivalent share value in cash. The grant and/or vesting of shadow share options is dependent on the achievement of such performance conditions as the Remuneration Committee determines, measured over a minimum period of one year. Shadow share options will normally vest and become exercisable three years from the date of grant subject to satisfaction of the performance conditions and the continued employment of the participant by the Group for such period as specified by the Committee. Participants have 3 years from the date of vest to exercise any options. On the basis the LTIP is a cash award, no holding period is applied. Shadow share options vest early on a change of control (or other relevant event) unless the Remuneration Committee determines otherwise, taking into account the performance conditions (as determined by the Remuneration Committee) and pro-rating for time, although the Remuneration Committee has discretion not to apply time pro-rating. Shadow share options awards may also vest early in "good leaver" circumstances i.e. as a result of death; illness, injury or disability; redundancy; or retirement.	The LTIP allows for the grant of shadow share options over shares worth up to 50% of base salary in any plan year (and up to 150% of salary in exceptional circumstances including recruitment and retention). The combined annual bonus and LTIP opportunities for any year cannot exceed 200% of base salary.	The grant and/ or vesting of LTIP shadow share options is subject to the satisfaction of performance targets set by the Remuneration Committee. The performance measures are reviewed regularly to ensure they remain relevant but will be based on individual and/or financial measures and/or share price growth related measures. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities. Vesting of LTIP shadow share options will apply on a scale between 0% and 100% based on the Remuneration Committee's assessment of the extent to which the performance metrics have been met.

Component	Operation	Opportunity	Performance Measures
Retirement benefits **Purpose:** To provide competitive retirement benefits to help recruit and retain executive directors.	The Company offers defined contribution pensions to all executive directors. In appropriate circumstances, executive directors may take a salary supplement instead of contributions into a pension plan.	Maximum contributions for a director will be up to 15% of base salary.	N/A

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

Component	Operation	Opportunity
Fees **Purpose:** To provide the core fixed element of remuneration for the particular non-executive director role.	The Board of directors determines non-executive fees, taking into account the skills, knowledge, and experience of the individual, whilst taking into account appropriate market data. Directors may be entitled to benefits such as the use of secretarial support, travel costs, or other benefits that may be appropriate.	The fee is set at a fixed annual fee of £35,500 for non-executive directors and £37,500 for senior non-executive directors, effective from 1 February 2021. Overall fees paid to non-executive directors will remain within the limit set out in the Company’s Articles of Association of £300,000, taking into account the percentage increase in the General Index of Retail Prices for the 12 preceding months.

Legacy awards

The 2010 Long Term Incentive Plan ("LTIP") lapsed in May 2020. A new LTIP has been drafted which will be presented to shareholders at the 2021 AGM for approval.

Recovery provisions

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

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

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

Remuneration Committee approach to setting performance measures and targets

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

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

B2 Directors' Remuneration Report
continued

Remuneration Committee Flexibility

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

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

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

Consideration of Remuneration Policy for other employees

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

The Committee takes into account the wider pay context and all members of staff receive an annual pay review. All members of staff whose performance has been exceptional are entitled to a discretionary bonus.

Senior employees are eligible to participate in the LTIP 2021, at the Remuneration Committee's discretion, thereby encouraging wider workforce alignment to Company performance.

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

Approach to remuneration

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

The Remuneration Committee will seek to offer a remuneration package in line with the Remuneration Policy and commensurate with other directors having regard to their responsibilities and experience.

Fixed pay

Salary and benefits (including retirement benefits) would be determined in accordance with the Policy and in line with market practice.

Variable pay

The maximum level of variable remuneration which may be granted (excluding buy-out awards referred to below) is 200% of salary (i.e. the maximum annual bonus and LTIP opportunity). The Remuneration Committee retains the discretion to make remuneration decisions which are outside the policy set out in the table above to facilitate the recruitment of candidates of the appropriate calibre required to optimise Company performance (but subject to the limit on variable remuneration). The Remuneration Committee ensure that awards within the 200% of salary variable remuneration limit are linked to the achievement of appropriate and challenging performance measures. It is not the Company's intention to make non-performance related incentive payments (for example, "golden hellos").

Buy-outs

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

Shadow share options as part of remuneration

Any new shadow share options will be granted under the LTIP 2021 (subject to shareholder approval of the LTIP 2021). If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Remuneration Committee may rely on exemption 9.4.2 of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a director.

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

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

Director Service contracts

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

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

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

Payments for loss of office

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

Termination Payment	Severance payments in relation to the service contracts are limited to basic salary for the notice period plus benefits in kind (including company car and private health insurance) and pension contributions (which may include salary supplements). Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.
Vesting of incentives for leavers	**Annual bonus** The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an executive director leaves. Typically for 'good leavers', bonus amounts (as determined by the Remuneration Committee) will be pro-rated for time in service to termination and will be, subject to performance, paid at the usual time. **Deferred annual bonus** Typically for 'good leavers', unless the Committee determines otherwise, unvested deferred bonus awards shall continue and vest on the normal vesting date subject to meeting any minimum performance target set during the deferral period. If a participant dies, unvested deferred bonus awards will vest at that time. Unvested deferred bonus awards will usually, lapse on termination for any other reason. **2010 Long Term Incentive Plan and 2021 Long Term Incentive Plan** The vesting of share-based awards is governed by the rules of the relevant incentive plan, as approved by Shareholders. Under the LTIP if a participant leaves employment of the Group, options will normally lapse if the participant leaves employment before vesting unless and to the extent the Remuneration Committee decides otherwise. Options may vest and become exercisable in "good leaver" circumstances, including death, disability, ill-health, injury, redundancy, retirement, sale of the participant's employer or any other reason determined by the Remuneration Committee. Under the LTIP any "good leaver" options will vest at the date of cessation of employment unless the Remuneration Committee decides they should vest at the normal vesting date. In either case, unless the Remuneration Committee determines otherwise, the extent to which an option vests will be determined by the Remuneration Committee taking into account the time which has elapsed between the grant of that option and the date of leaving and the extent to which any performance conditions have been satisfied. In determining the proportion of an option which vests, the Remuneration Committee may take into account such other factors, including the performance of the Company and the conduct of the participant as it deems relevant. An option may then be exercised, to the extent vested, during the period of six months, or twelve months in the case of death, (or such other period as the Remuneration Committee may determine) commencing on the date of such cessation or from the normal vesting date as appropriate. Where a buy-out award is made under the listing rules then the leaver provisions would be determined at the time of the award.
Mitigation	The executive directors' service contracts do not provide for any reduction in payments for mitigation or for early payment.

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

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

B2 Directors' Remuneration Report
continued

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

Statement of consideration of employment conditions elsewhere in the Company

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

Statement of consideration of Shareholder views

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

Illustration of application of Remuneration Policy

The charts below set out an illustration of the potential total remuneration opportunity under the Remuneration Policy with effect from 1 February 2021.

For these purposes base salary is the latest known salary as at 1 February 2021 and benefits is as disclosed in the single figure table on page 37 for the year ending 31 January 2021. Pension is based on the policy set out in the future policy table (i.e. a maximum contribution of 15% of base salary) and base salary effective at 1 February 2021.

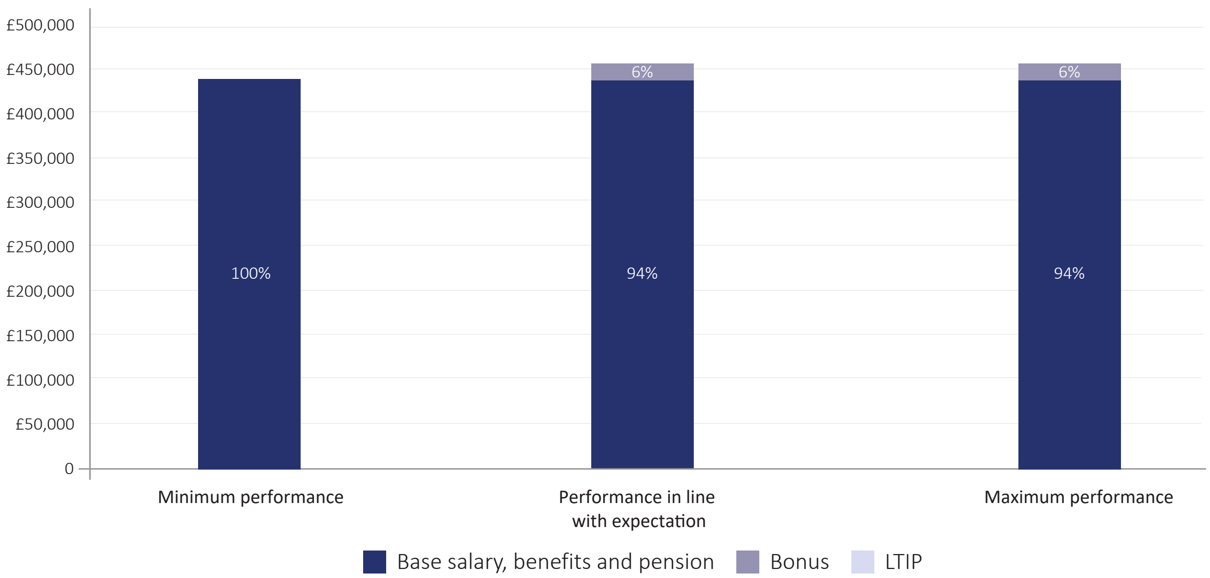
Three scenarios have been illustrated for each executive director:

Minimum performance	• No bonus pay-out • No LTIP
Performance in line with expectations	• Bonus: £30,000 for Anthony Coombs and Graham Coombs, Chris Redford and Graham Wheeler. • Shadow Share Option award over 5,000 shares for Graham Wheeler and Chris Redford
Maximum performance	• Bonus: £30,000 for Anthony Coombs and Graham Coombs, and £50,000 for Chris Redford and Graham Wheeler. • Shadow Share Option award over 5,000 shares for Graham Wheeler and Chris Redford.

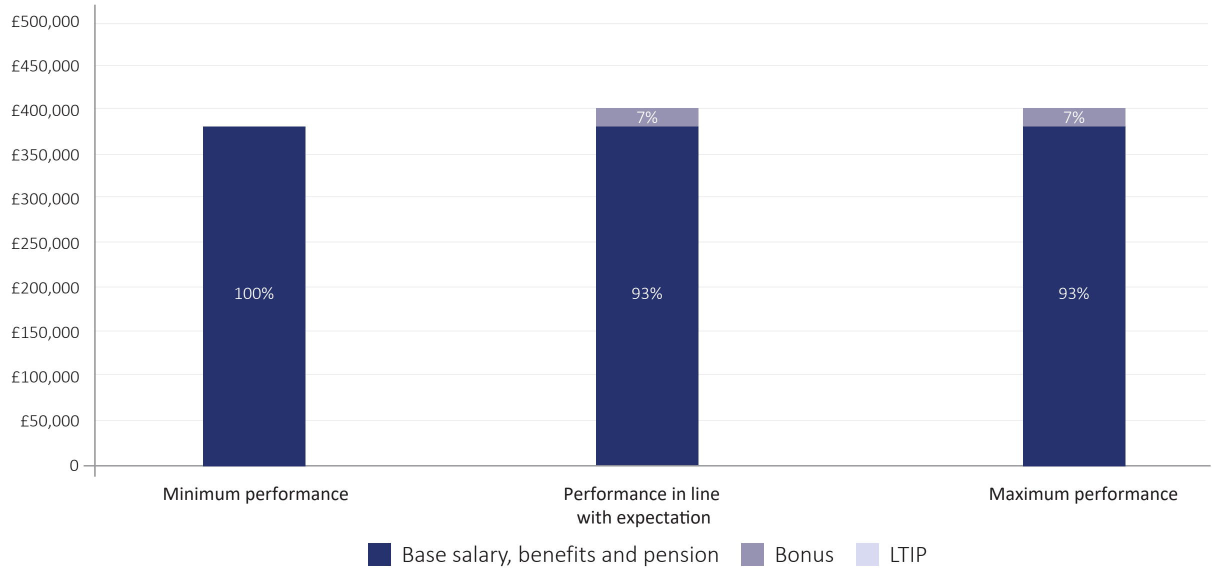
As required by the regulations, the scenarios are based on the proposed operation of the policy for the year ended 31 January 2022.

Scenario charts

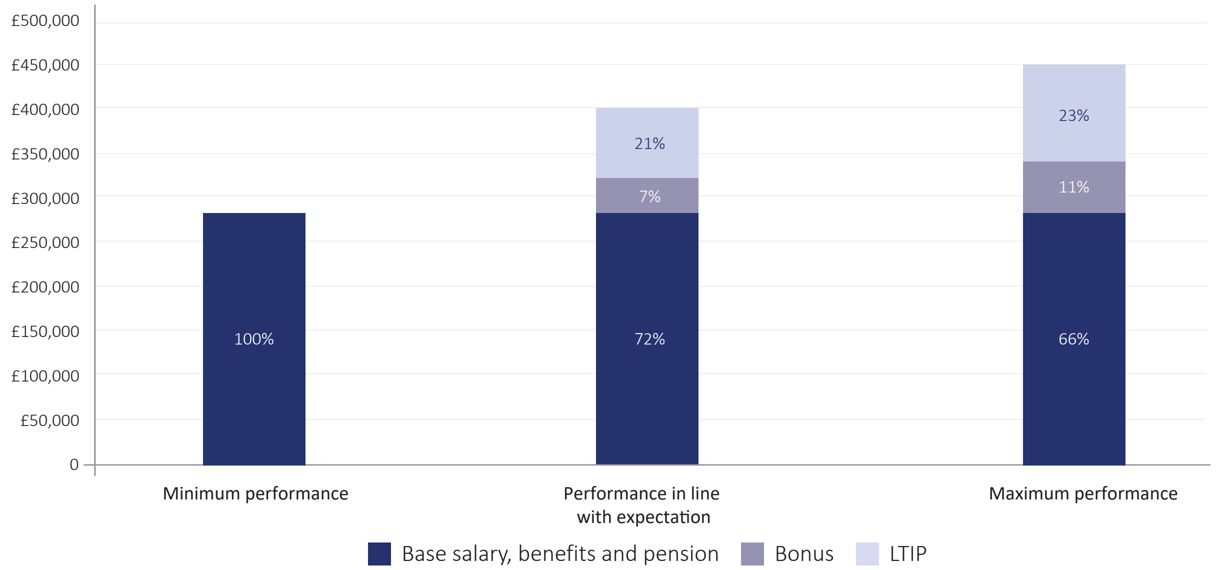
Anthony Coombs



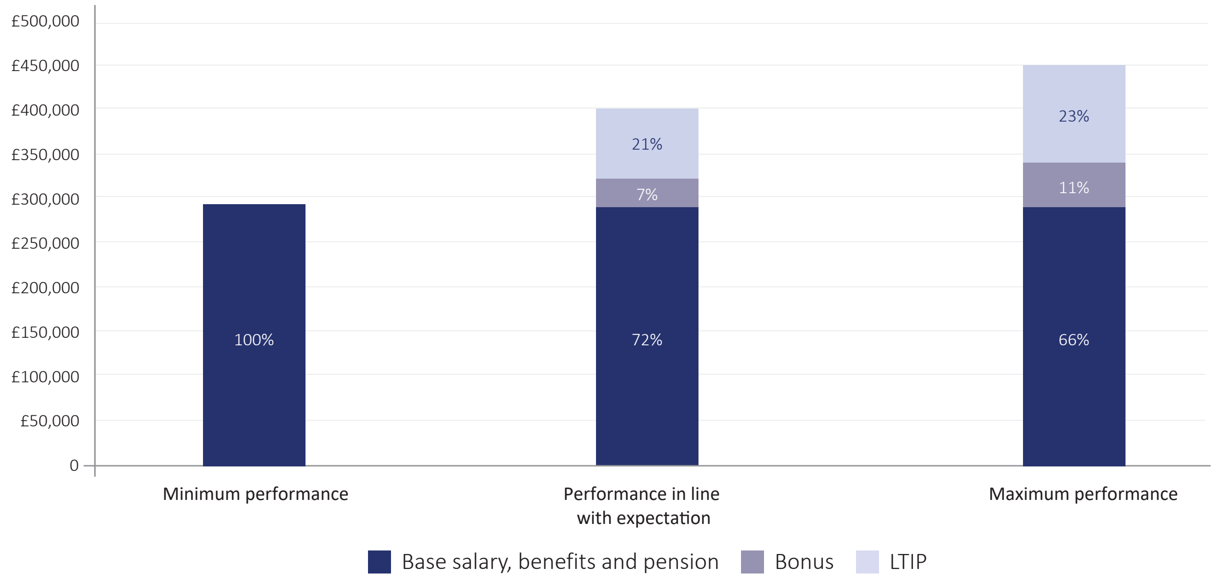
Graham Coombs



Chris Redford



Graham Wheeler



NB: For the purposes of this illustration, the value of the LTIP has been calculated with reference to the S&U Plc share price on 31 January 2021.

B2 Directors' Remuneration Report

continued

Existing contractual arrangements

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

- before the AGM held on 20th May 2014 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect);
- after the AGM held on 20th May 2014 and before the policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
- at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company.

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

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

B2.3. ANNUAL REMUNERATION REPORT

This section covers how the remuneration policy was implemented in the year ending 31 January 2021. Certain elements of the Annual Remuneration Report are subject to audit and this has been highlighted at the start of each section.

Remuneration Committee (this section is not subject to audit)

The Company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Remuneration Committee are Mr Graham Pedersen, Mr Demetrios Markou and Mr Tarek Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on page 25. The Remuneration Committee is chaired by Mr Tarek Khlat.

None of the Remuneration Committee has any personal financial interest (other than as Shareholders), conflicts of interest arising from cross-directorship or day-to-day involvement in running the business. The Remuneration Committee makes recommendations to the Board.

The Remuneration Committee is responsible within the authority delegated by the Board for determining, implementing and operating the Remuneration Policy and for determining the specific remuneration packages for each of the executive directors. In particular, the Remuneration Committee has the following key responsibilities:

- determining and setting variable and performance-related pay, and the assessment of performance targets for executive directors;
- reviewing and approving the remuneration arrangements and fees for each individual director;
- reviewing and approving the remuneration arrangements and any payments for loss of office or severance packages for new directors and those stepping down as a director or ceasing to be a member of the senior management team; and
- reviewing and having regard to the general remuneration pay practices and polices across the wider workforce when setting executive pay.

In its role to implement and operate the Remuneration Policy for directors the Remuneration Committee considers;

- the need to attract, retain and motivate high quality individuals to optimise Group performance;
- the need for an uncomplicated link and clear line of sight between performance and rewards;
- the need for an appropriate balance between fixed and variable remuneration and short term and long-term rewards and alignment with shareholder interests;
- best practice and remuneration trends within the company and the financial services industry;
- the requirements of the UK Corporate Governance Code and existing director contracts; and
- previous shareholder feedback and the interests of other relevant stakeholders and employees.

The Remuneration Committee's terms of reference were reviewed during the year and are available on our website www.suplc.co.uk.

Advisors to the Remuneration Committee

The Remuneration Committee is assisted in its work by the Chairman, Deputy Chairman and the Group Finance Director. The Chairman is consulted on the remuneration of those who report directly to him and also of other senior executives. No executive director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration. During the year, the Remuneration Committee was also assisted in its work by KPMG LLP who provide advice and guidance on remuneration matters. The Remuneration Committee is comfortable that the KPMG team which provided advice to the Remuneration Committee was and is independent and that they did not have any connections with S&U plc that may have impaired their objectivity. The total fees paid to KPMG for the provision of independent advice during the year ended 31 January 2021 was £12,480 charged on a time and materials basis. KPMG also provide taxation compliance and advisory services to the Group.

Attendance at meetings

Details of the number of Remuneration Committee meetings held during the year and attendance at those meetings is set out in the Governance section on page 49 of this Annual Report.

Single Figure Tables (this section is subject to audit)

The table below sets out in a single figure the total amount of remuneration including each component received by each of the directors for the year ended 31 January 2021, together with comparative figures for the year ended 31 January 2020:

	Anthony Coombs £000		Graham Coombs £000		Chris Redford £000		Graham Wheeler* £000		Guy Thompson £000	
Executive Directors	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Salaries and fees	360	355	345	340	232	225	83	0	0	400
Allowances and benefits	75	47	35	35	26	29	7	0	0	43
Pension Contribution	0	0	0	0	34	33	8	0	0	53
Total Fixed	**435**	402	**380**	375	**292**	287	**98**	0	**0**	496
Bonus	15	25	15	25	25	31	25	0	0	100
Share Incentive	0	0	0	0	0	74	0	0	0	210
Total Variable	**15**	25	**15**	25	**25**	105	**25**	0	**0**	310
Total	**450**	427	**395**	400	**317**	392	**123**	0	**0**	806

*Graham Wheeler was appointed a director of S&U Plc on 29 September 2020, and so only a part year remuneration is shown in the single figure table.

	Demetrios Markou £000		Fiann Coombs £000		Graham Pedersen £000		Tarek Khlat £000	
Non-executive Directors	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Salaries and fees	37.5	37	35.5	35	35.5	35	35.5	35
Total	**37.5**	37	**35.5**	35	**35.5**	35	**35.5**	35

B2 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 cash bonus earned in respect of the year. A description of the performance targets against which the bonus pay-out was determined is provided on page 39. The Remuneration Committee determined that no part of any bonus paid for the year ended 31 January 2021 would be deferred.
Share incentive plans (LTIP)	For the year ending 31 January 2021: No share options or shadow share options were granted in this year. In the first quarter of the financial year, Chris Redford waived his right to the 7,500 LTIP share options disclosed in last year's Directors' Remuneration Report and so these 7,500 LTIP share options were not granted. These share options would have been subject to usual employment and performance conditions and those performance conditions for the year ended 31 January 2021 would not have been met. For the year ended 31 January 2020 comparative figures for the value of options vesting under the share incentive plans have been calculated as follows: • Stretch PBT and ROCE based performance targets for the year to 31 January 2020 were not met in full; accordingly, the Remuneration Committee determined that 67% of the 12,000 LTIP shadow share options granted to Guy Thompson on 01 August 2019 (i.e. 8,000 shadow share options) vested in respect of performance to 31 January 2020 and 67% of the 3,000 LTIP shadow share options granted to Guy Thompson which were deferred from performance year 18/19 and subject to a further performance target (i.e. 2,000 shadow share options) also vested in respect of performance to 31 January 2020. In both cases 33% of the shadow share options were deemed to have lapsed (i.e. a total of 5,000 shadow share options) as although Group profits this year increased the stretch PBT target was not met in full. The 10,000 vested shadow share options are subject to continued employment until August 2020 and will not normally be exercisable until August 2022. Stretch PBT and ROCE based performance targets for the year to 31 January 2020 were not met in full; accordingly, the Remuneration Committee determined that 47% of the 7,500 LTIP share options granted to Chris Redford in April 2019 (i.e. 3,500 shares) vested in respect of performance to 31 January 2020 and 53% (i.e. 4,000 shares) were deemed to have lapsed. The 3,500 vested share options are subject to continued employment until April 2022 and will not normally be exercisable until April 2022. Although both the above LTIP options are subject to continued employment, the value of the shares vesting by reference to performance to 31 January 2020 is shown above based on the three-month average share price to 31 January 2020 (£21.04). In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, it is estimated that none of the value of the LTIP releases is attributable to share price growth over the period starting on the date of grant and ending on 31 January 2020 as awards were granted using an average share price of £22.23. The Remuneration Committee concluded that no discretion will be applied in determining the level of vesting of the LTIP awards as a result of share price depreciation.

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 2021).

Base salary and fees

Base salaries for individual executive directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. Non-executive directors will continue to receive directors' fees in line with market practice. As disclosed in the Annual Report on Remuneration last year, for the year ending 31 January 2021, Anthony Coombs, Graham Coombs and Chris Redford all received a salary increase of between 1.4% and 3.3%, effective from 1 February 2020.

For the year ending 31 January 2022, the base salaries of Anthony Coombs, Graham Coombs, Chris Redford and Graham Wheeler were frozen at the same level as year ended 31 January 2021, effective from 1 February 2021. This is in line with most of the wider work force, where only exceptional increases were granted.

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

Executive director	Base salary as at 31 January 2021 £000	Base salary for year to 31 January 2022 £000	Increase %
Anthony Coombs	360	360	0.0
Graham Coombs	345	345	0.0
Chris Redford	232.5	232.5	0.0
Graham Wheeler*	250	250	0.0
Guy Thompson*	0	N/A	N/A

*Graham Wheeler was appointed CEO of Advantage Finance in October 2019. He was appointed a director of S&U plc on 29 September 2020 and so only a part year's remuneration is shown in the single figure table.

**As part of his planned retirement, Guy Thompson resigned as a director of S&U plc on 10th February 2020 and did not receive any director remuneration for the year ended 31 January 2021.

Non-Executive Directors

The remuneration policy for non-executive directors is determined by the Board. Fees reflect the responsibilities and duties placed upon non-executive directors whilst also having regard to market practice. The basic non-executive director fee was frozen at £35,500 with effect from 1 February 2021. The basic senior non-executive fee was frozen at £37,500 with effect from 1 February 2021. The non-executive directors do not participate in any of the Company's share incentive plans nor do they receive any benefits, bonus or pension contributions.

Non-executive director	2019/20 £000	2020/21 £000	2021/22 £000
Basic fee	35	35.5	35.5
Additional fee for Demetrios Markou as Senior Independent Non-executive director	2	2	2

Annual bonus

For the year ending 31 January 2020, 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 2020 together with the Group PBT targets and details of the actual bonus earned.

B2 Directors' Remuneration Report

continued

	Performance targets	Maximum annual bonus opportunity year ending 31 January 2021 £000	Bonus pay-out % of maximum %	Actual bonus earned for the year ending 31 January 2020 £000
Anthony Coombs	Group PBT target (£38.5m) and (for Chris Redford only) ROCE target	75	20	15
Graham Coombs		75	20	15
Chris Redford		75	33	25
Graham Wheeler	Advantage Finance PBT and ROCE target*	N/A	N/A	25

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

Based on performance in the year ended 31 January 2021 bonuses of £15,000 each were deemed payable to Anthony Coombs and Graham Coombs and bonuses of £25,000 each to Graham Wheeler and Chris Redford. Although actual Group and Advantage PBT were well below the stretch targets, the committee considered the extent to which both financial and individual performance targets had been met and the impact of and the group response to the Covid pandemic. The Remuneration Committee therefore exercised its discretion and determined to vest reduced bonuses.

Annual bonus in 2021/22

For the year ending 31 January 2022, where the performance targets set are achieved, the annual bonus has been set at £30,000 for Anthony Coombs, Graham Coombs, Graham Wheeler and Chris Redford. Where the performance targets set are exceeded, the Remuneration Committee has the discretion to pay an increased annual bonus and the maximum amount payable will not exceed the maximum limits stated in the Remuneration Policy. The annual bonus will continue to be assessed against stretching Group and divisional PBT targets.

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

Long Term Incentives – Long Term Incentive Plan (LTIP) 2010

Awards granted during the period

In the first quarter of the financial year, Chris Redford waived his right to the 7,500 LTIP share options disclosed in last year's Directors' Remuneration Report and so these 7,500 LTIP share options were not granted.

No other share options or shadow share options were envisaged to be granted and none were granted during the year ended 31 January 2021.

Awards vesting based on performance in respect the year ended 31 January 2021

No awards vested based on performance in respect of the year ended 31 January 2021 as shown in the notes to the single figure tables on page 38

Awards for 2021/22

The Committee intends to grant 5,000 shadow share options under the new LTIP to Graham Wheeler, subject to achieving certain Advantage PBT and ROCE targets for the year ending 31 January 2022. The Committee also intends to grant 5,000 shadow share options under the new LTIP to Chris Redford, subject to achieving certain group PBT and ROCE targets for the year ending 31 January 2022.

The LTIPs will normally become exercisable three years from grant, subject to the satisfaction of the performance conditions and the director remaining in employment. The Remuneration Committee considers that the targets are commercially sensitive and should therefore remain confidential to the Company. They provide our competitors with insight into our business plans, expectations and our strategic actions. However, the Remuneration Committee will continue to disclose how the LTIP vesting relates to performance against the Group PBT targets on a retrospective basis.

		Vesting schedule	
		2021	2022
Anthony Coombs	Bonus	£15,000	£30,000
	LTIP (shares)	–	–
	Shadow share options	–	–
Graham Coombs	Bonus	£15,000	£30,000
	LTIP (shares)	–	–
	Shadow share options	–	–
Chris Redford	Bonus	£25,000	£30,000
	LTIP (shares)	–	–
	Shadow share options	–	5,000
Graham Wheeler*	Bonus	£25,000	£30,000
	LTIP (shares)	–	–
	Shadow share options	–	5,000

*Graham Wheeler was appointed CEO of Advantage Finance in October 2019. He was appointed a director of S&U plc on 29 September 2020 and so only a part year's remuneration is shown in the single figure table.

For the year ending 31 January 2021, the Remuneration Committee considers that the significant shareholding held by Anthony Coombs and Graham Coombs provides adequate alignment to shareholders. No shareholding guideline applies to any of the other directors of the Company.

Total pension entitlements in 2020/21 (this section is subject to audit)

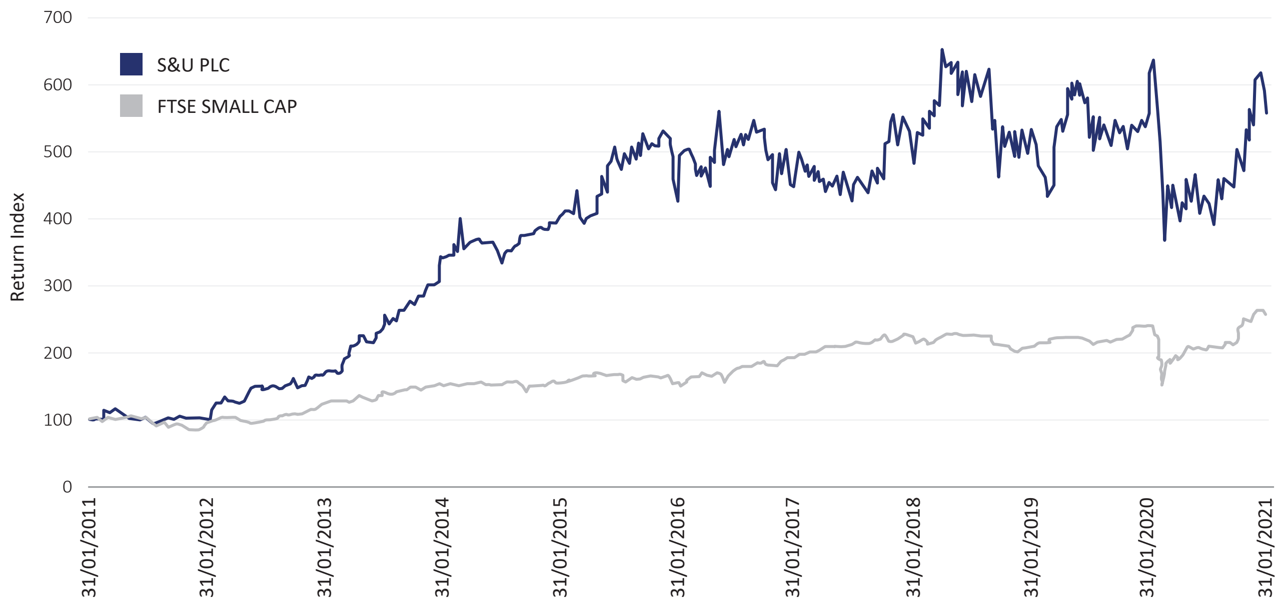
During the year the Group made contributions into a defined contribution scheme on behalf of Graham Wheeler and Chris Redford or pays a salary supplement in lieu. None of the directors have accrued benefits under the defined benefit scheme.

Director	Defined contribution or salary supplement in lieu £000	Percentage of Salary %
Chris Redford	34	14.5
Graham Wheeler	25	10.0

B2 Directors' Remuneration Report
continued

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

The following graph shows the Company's Shareholder Return performance, compared with the performance of the FTSE Small Cap, over the past ten years. This comparator has been selected since it illustrates S&U's relative performance within their sector.



Executive Chairman Remuneration for the previous ten years (this section is not subject to audit)

The Group does not have a CEO but the table below shows the detail required by the regulations for our executive chairman Mr Anthony Coombs:

	Single figure of remuneration £000	Annual bonus (% of maximum opportunity for the year) %	Long term incentive (% of maximum number of shares for the year) %
2021	450	20	n/a
2020	427	33	n/a
2019	412	40	n/a
2018	387	0	n/a
2017	402	50	n/a
2016	394	100	n/a
2015	390	100	n/a
2014	370	100	n/a
2013	445	50	71
2012	436	100	100
2011	360	100	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 executive directors for the year ended 31 January 2021 compared to the wider workforce.

Element	Anthony Coombs %	Graham Coombs %	Chris Redford %	Graham Wheeler %	Wider Workforce %
Base salary	1.4	1.5	3.1	n/a	6.1
Allowances and benefits	60.0	0.0	(10.3)	n/a	n/a
Bonus	(40.0)	(40.0)	(19.4)	n/a	(42.0)

Anthony Coombs received benefits and allowances of £75,000 in the year ending 31 January 2021 and £47,000 in the year ending 31 January 2020. Anthony Coombs earned a bonus of £15,000 for the year ending 31 January 2021 and earned a bonus of £25,000 for the year ending 31 January 2020.

Graham Coombs received benefits and allowances of £35,000 in the year ending 31 January 2021 and £35,000 in the year ending 31 January 2020. Graham Coombs earned a bonus of £15,000 for the year ending 31 January 2021 and earned a bonus of £25,000 for the year ending 31 January 2020.

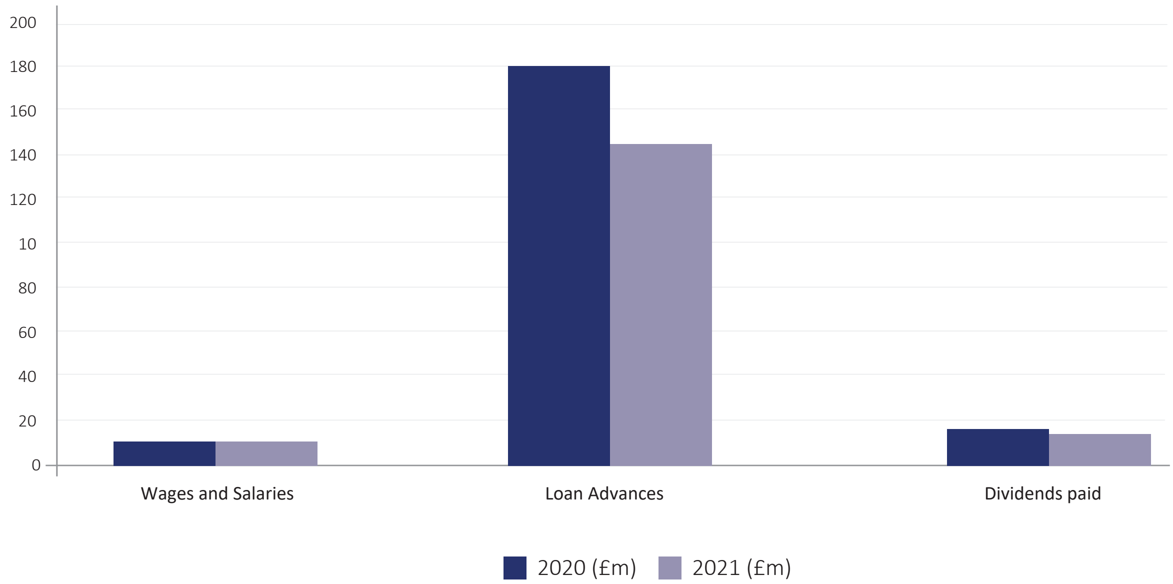
Chris Redford received benefits and allowances of £26,000 in the year ending 31 January 2021 and £29,000 in the year ending 31 January 2020. Chris Redford earned a bonus of £25,000 for the year ending 31 January 2021 and earned a bonus of £31,000 for the year ending 31 January 2020.

Graham Wheeler was appointed CEO of Advantage Finance in October 2019. He was appointed a director of S&U plc on 29 September 2020 and so remuneration data is only available, in part, for the year ending 31 January 2021.

In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the average total number of UK employees within the S&U plc group for the relevant year was less than 250; accordingly, the Company is not currently required to report on the ratio of the Chairman's single total figure of remuneration relative to the Company's UK employees across the group. The Remuneration Committee shall continue to review and monitor its disclosure obligations under the Companies (Miscellaneous Reporting) Regulations 2018.

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

The graph below shows the relative importance of spend on pay against other cash outflows of the Group for the years ending 31 January 2020 and 31 January 2021. Given the nature of the Group's business, the other significant outflows for the Group are loan advances and dividends payable.



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

There were no loss of office payments made during the year ended 31 January 2021.

As disclosed elsewhere in the report, no further payments were made to Guy Thompson in respect of his role as a director of S&U plc, which he retired from on 10 February 2020.

Statement of directors' shareholding and share interests

The table below details the shareholdings and share interests of the directors as at 31 January 2021.

	Type	Owned Outright	Unvested subject to performance conditions	Unvested not subject to further performance conditions	Vested but unexercised	Total at 31 January 2021
Anthony Coombs	Shares	1,340,342	–	–	–	1,340,342
	LTIP		–	–	5,000	5,000
Graham Coombs	Shares	1,591,457	–	–	–	1,591,457
	LTIP		–	–	–	–
Chris Redford	Shares	18,500	–	–	–	18,500
	LTIP		–	6,000	–	6,000
Graham Wheeler	Shares	–	–	–	–	–
	LTIP		–	–	–	–
Non- executive directors						
Demetrios Markou	Shares	4,500	–	–	–	4,500
Graham Pedersen	Shares	–	–	–	–	–
Fiann Coombs	Shares	283,550	–	–	–	283,550
Tarek Khlat	Shares	–	–	–	–	–

In addition to the above holdings, Grevayne Properties Limited, a Company beneficially controlled by Anthony Coombs and Graham Coombs, hold 303,323 Ordinary Shares.

There are no specific shareholding requirements for directors and there have been no changes to the above shareholdings and share interests between 31 January 2021 and the date of this report.

Shareholder vote on the 2020 Remuneration Report and 2018 Remuneration Policy (this section is not subject to audit)

The table below shows the voting outcome at the 9 June 2020 AGM for the 2019 Directors Remuneration Report (advisory) and the voting outcome at the 18 May 2018 AGM for the 2018 Remuneration Policy:

	Number of votes "For" and "Discretion"	% of votes cast	Number of votes "Against"	% of votes cast	Total Number of votes cast	Number of votes "withheld"
Annual Report on Remuneration 2020	5,533,996	92.11	474,327	7.89	6,008,323	170
Remuneration Policy 2018	5,655,407	92.25	474,815	7.75	6,131,783	1,561

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

Approval

This report section B2 of the Annual Report and Accounts including both the Remuneration Policy and The Annual Remuneration Report was approved by the Board of Directors on 29 March 2021 and signed on its behalf by:

Tarek Khlat
Chairman of the Remuneration Committee

29 March 2021

B3 Governance

B3.1 AUDIT COMMITTEE REPORT

Role and Responsibilities

The Audit Committee is a committee of the Board of Directors. Its main role is to assist the Board and protect the interests of shareholders by reviewing the integrity and appropriateness of the Group's financial information, the systems of internal controls and risk management and the audit process,both internal and external. In the circumstances of the current landscape surrounding the audit of listed companies and public interest entities, the Committee is cognizant of the revised International Standards on Auditing (ISAs). As regards the year ended 31 January 2021, two ISAs are relevant and have been discussed with our internal and external auditors. These are ISA (UK) 700-Forming an Opinion and ISA (UK) 570 – Going Concern. The Committee continues to monitor developments in other areas in this regard, to ensure that its role is properly and appropriately applied and performed.

Composition of the Committee and Meetings

The Company has established an Audit Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code. The members of the Committee are Mr G Pedersen, Mr D Markou and Mr T Khlat, who are all independent non-executive directors. Biographical details of these directors are set out on page 25. The Committee is chaired by Mr D Markou. Meetings are held not less than twice a year normally in conjunction with the interim and full year financial reports issued in September and March. The external auditors or individual members of the Audit Committee may request a meeting if they consider one is necessary and the Committee ensure that discussions are held with the external auditors without executive Board members present. During the year ending 31 January 2021 three meetings were held including Audit planning meetings.

Significant Matters related to the financial statements

The significant matters and areas of judgement considered by the Audit Committee in relation to the January 2021 Financial Statements were as follows:

Impairment of receivables – Motor Finance – see also accounting policy 1.4 on page 70.

Receivables are impaired in Motor Finance based on the overall contractual arrears status and also the number of cumulative contractual weekly payments that have been missed in the last six months. Impairment is calculated using models which use historical payment performance and amounts recovered from security realisation to generate the estimated amount and timing of future cash flows from each arrears stage. In addition and in accordance with the provisions of IFRS9 a collective provision is made for expected credit losses in the next 12 months in the remainder of the loan book which again references historical payment performance and amounts recovered.

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

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

In assessing the adequacy of the Motor Finance impairment provision the Audit Committee considers, reviews and challenges;

a. The work performed by management and by 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, including actual and estimated impacts from the Covid-19 pandemic (see also page 71).

Revenue Recognition – Motor Finance – see also accounting policy 1.3 on page 70

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the constant period rate of return on the net investment in the loan which is akin to an effective interest rate method (EIR). The EIR is the rate that exactly discounts the expected future cash flows of the loan back to present value being the amount advanced to the customer. Under IFRS16 credit charge income should be recognised using the constant periodic rate of return which requires management to make judgements relating to the inclusion of directly attributable costs and fees and the cash flows related thereto.

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.

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

External Audit

The Committee formally reviews the effectiveness of the external auditors, 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, the lead Audit Partner was changed

B3 Governance
continued

nearly five years ago on the usual five-year rotational basis. The lead partner is therefore due to rotate after this year's audit and any reappointment of a new lead partner for Deloitte would only be for a maximum three year period until Deloitte themselves would be required to retire as auditors. The Audit Committee therefore concluded that it was in the interests of the Group that S&U plc put its audit arrangements out to tender during late 2020/early 2021. This audit tender process involved exchanging information and having video meetings with interested external auditors. The Committee reviewed final audit tender proposals received from interested parties and external information on those parties including the relevant FRC reports around Audit Quality. Further to a rigorous process, the Audit Committee have recommended to the Board the appointment of Mazars LLP as auditors at the forthcoming Annual General Meeting. The Audit Committee and the Board note Deloitte's long history as external auditors to the S&U Group and thanks all the staff and partners involved for their excellent service and rigorous work during that time.

The Audit Committee and Deloitte have put in place safeguards to ensure that the independence and objectivity of the external auditor is maintained including governing the external auditors' engagement for non-audit services. In line with rules for public interest entities the provision of tax compliance services was placed with KPMG with effect from 1 February 2017 and we also now use KPMG for guidance on directors remuneration and reporting matters. Fees paid to the external auditor are shown in note 6 to the accounts. Overall the fees paid to the external auditor for non-audit services were £25,000 (2020: £24,000) and this was for the half year review of interim results. The audit committee have continued to monitor the quality of service they provided and their continuing independence. They examined 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 considered 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.

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

Internal Audit

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

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

Demetrios Markou
Chairman of the Audit Committee

29 March 2021

B3.2 CORPORATE GOVERNANCE

2018 saw the revision by the FRC (Financial Reporting Council) of the UK Corporate Governance Code, together with the issue of an accompanying Guidance on Board Effectiveness. These update the Provisions of the Code and the way in which they should be applied in supporting the code's Principles.

Narrative statement

The way in which we comply with the Code's Provisions, or explain where we do not is described below in the five areas of "Board Leadership and Company Purpose, Divisions of Responsibilities, Composition, succession and evaluation, Audit risk and internal control and Remuneration." In addition, our Chairman's Statement provides guidance as to how we interpret the revised codes more flexible approach in giving clear reasons for any non-compliance within the provisions. The rationale for this includes a "Company's particular circumstances based on a range of factors, including the size, complexity, history and ownership structure."

In S&U's case this is always meant an identity of interest between controlling shareholders and the executive management of the Company. The requirement of the Code of Principles for Board's to "promote the long-term sustainability or success of the Company, generating value for shareholders and contributing to wider society" is sustained by this and by our consistent mantra of "steady, sustainable growth." Family investment and management has over the past 80 years been reflected in ambition for growth and for new markets buttressed by a conservative approach to risk, to treasury activities and to return on capital employed. The same culture is seen in "work force engagements" through employment stability, good communications and a streamlined, non bureaucratic, management structure, as a staple of S&U well before the Governance Code even existed.

This has inevitably meant some departure from the detailed Provisions of the Code which primarily focusses on larger companies, a more formal approach to employee relations, a shorter history to establish a proven responsible culture, and a divorce between equity and management. We have carefully explained the reasons for any departures and will hopefully, as the revised code requires, now see these considered by investors and their representatives "thoughtfully" and not evaluated in "a mechanistic way".

Leadership

During the year the Company was controlled through the Board of Directors which at 31 January 2021 comprised four executive and four non-executive directors. The Chairman is responsible for the running of the Board. He has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. He is also responsible for co-ordinating the Company's business and implementing Group strategy. The Chairman and Deputy Chairman are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media.

Under Provision 9 of the Code it is recommended that the Chairman should be independent on appointment and should not have previously served as Chief Executive of the Company and under Provision 19 of the Code it is recommended that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Mr. Anthony Coombs was appointed Chairman in 2008 as part of an established succession plan reflecting the Coombs family's significant holding in S&U, the identity of interest between management and shareholders and the consequence success of the Company. As explained above this has been (and is perceived by the investing community) as a significant strength in the responsible, long-term strategic approach to S&U's development.

Mr. Coombs now serves as Executive Chairman and his responsibilities as Managing Director have been transferred to the Chief Executive of Advantage Finance and the Managing Director of Aspen Bridging.

The Board has a formal schedule of matters reserved to it and meets at least four times a year with monthly circulation of papers. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of the business. This includes its code of conduct, its annual budgets, its progress towards achievement of those budgets and its capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each Committee operates within defined terms of reference. Advantage Finance is managed by a separate board 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.

Demetrios Markou has served as a non-executive director on the Board for over nine years. Notwithstanding this length of service, the Board considers him to be independent due to his robust judgement and character and the invaluable balance and experience he has brought to the Board's deliberations. This experience as a Chartered Accountant is particularly important during the recent company transition from IAS39 to IFRS9 and IFRS16 and as the company consolidates its recent growth.

Graham Pedersen was appointed to the Board in February 2015 and brings a wealth of experience to the S&U Board both as a regulator and a banker. In March 2016, Tarek Khlat, a Banker, FCA Approved Person and Wealth Manager of great experience and expertise was appointed to the Board.

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

Effectiveness

Our executive directors are appraised annually by the Chairman, the Deputy Chairman and the independent non-executives. The Chairman and the Deputy Chairman are appraised annually by the independent non-executives. The results of these appraisals are considered by the Remuneration Committee for the determination of their remuneration recommendations. During the year there was no external evaluation of the Board but the performance of the Board and each of the Board Committees was reviewed by the Board with regard to the performance and achievements during the year. The performance of the Board and all three committees was self-assessed by the Board to be effective.

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

Directors have both the time and experience to fulfil their responsibilities and none sit on other PLC boards. The Nomination Committee advises the Board on refreshment and succession planning, whilst independent recruitment consultants are used for important executive roles. During the previous year the Nomination Committee played a significant role in the recruitment of the successor for Guy Thompson, the retiring CEO of Advantage Finance and the appointment of the skilled and experienced Graham Wheeler to this role is very welcome. The recruitment exercise also served as a helpful exercise to establish the comparatively rare

B3 Governance
continued

availability of other external executive and non-executive senior directors with relevant and specific non-prime motor finance skills and experience. Mindful of this and its corporate governance responsibilities, the Nomination Committee will continue to monitor this in its succession planning and when considering any future appointments to the Board. Whilst the Board notes the Code's focus on diversity, both Board and executive appointments are made purely on the basis of ability and temperament. irrespective of race, gender or sexual orientation.

Messrs Anthony Coombs, Graham Coombs, Chris Redford, Graham Pedersen, Tarek Khlat and Demetrios Markou being eligible offer themselves for re-election at the next Annual General Meeting (AGM). Fiann Coombs has relocated with his family to Switzerland and has decided not to put himself forward for re-election at the next AGM and will therefore resign from the Board on the date of this year's AGM. Graham Wheeler was appointed to the Board on 29 September 2020 and Jack Coombs was appointed to the Board after the date of signing these accounts and both offer themselves for election at the next AGM. Tarek Khlat, Graham Pedersen and Demetrios Markou are non-executive directors and the Chairman has determined their performance to be both effective and committed.

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

Accountability
Financial Reporting

Reviews of the performance and financial position of the Group are included in the Chairman's Report. The Board uses this, together with the Strategic Report within pages 11 to 21, 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 52 and those of the auditor on page 61.

Internal Control

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

The Group's internal control systems are reviewed regularly by management and by our independent internal auditors RSM with the aim of continuous improvement. Whilst the Board acknowledges its overall responsibility for internal control, it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. The Audit Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures.

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

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

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

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

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

Relationship with Auditor

The Audit Committee has specific terms of reference which deal with its authority and duties. It meets at least twice a year with the external auditor attending by invitation and RSM as a regular attendee in order that the Committee can review the external and internal audit process and results. The Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures, accounting policies and financial reporting and provides a forum through which the Group's external auditor reports to the non-executive directors. The Committee assists the Board in discharging its duties to ensure the financial statements meet legal requirements, and also reviews the independence of the external auditor. This is assessed through examination of the nature and value of non-audit services performed during the year. The value of non-audit services is disclosed on page 76 and all non-audit service requirements are considered by the Group before an appointment is made. The non-audit services provided were audits related assurance. The objectivity and independence of the auditor has been safeguarded by all work being completed by partners and staff who, whilst having specialist knowledge of the sector, have no involvement in the audit of the financial statements, other than for audit related assurance Services.

Equality and Diversity

The Group is committed to ensuring that existing members of staff, job applicants, or workers are treated fairly in an environment which is free from any form of discrimination. The Group will always wish to ensure appointments reflect the best skills available for the role. Currently 12 women hold 33% of senior management positions and women hold 64% of other employee positions and during the year no female directors served on the Board. Currently 24 men hold 67% of senior management positions and men hold 36% of other employee positions and during the year eight male directors served on the Board. The Company has 11 employees of which two are women and nine are men including seven S&U plc Directors.

Board and Committee attendance

The attendance of individual directors at the regular meetings of the Board and its Committees during the year ended 31 January 2021 is shown in the table below:

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	**6**	**1**	**1**	**3**
AMV Coombs	6	1	n/a	n/a
GDC Coombs	6	n/a	n/a	n/a
D Markou	6	1	1	3
G Pedersen	6	1	1	3
T Khlat	6	1	1	3
F Coombs	6	n/a	n/a	n/a
JG Thompson (retired 10.2.20)	1	n/a	n/a	n/a
TG Wheeler (appointed 29.9.20)	1	n/a	n/a	n/a
CH Redford	6	n/a	n/a	n/a

Guy Thompson and Graham Wheeler had full Board attendance in their part year as S&U Board Directors.

Remuneration

The Remuneration Committee has specific terms of reference which deal with its authority and duties and these, together with details of how the Company has complied with the Remuneration provisions of the UK Corporate Governance Code, are detailed in the Directors Remuneration Report on page 26.

Relations with Stakeholders

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

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

Members of the Board meet frequently with shareholders and conduct regular roadshows throughout the UK to present to current and future investors. Shareholder and Investor relations are managed in tandem with our Stockbroker Peel Hunt who issue regular reports on these activities.

Mutual commitment and loyalty between Company and its employees has underpinned S&U's 83-year history. Both its size, with over 160 employees in Grimsby and over 20 in Solihull and its family ethos ensure that the "employee voice" is heard and heeded. Regular appraisals and feedback meetings are held and internal promotion is encouraged. As a result, staff retention rates are very high. Whistle-blower Policies are in place at Advantage.

The size, history and culture of the company encourage participation of all directors and senior management and employee relations and make designated board members or workforce committees unnecessary.

B3.3 COMPLIANCE STATEMENT

Throughout the year ended 31 January 2021 the company has discharged and met its responsibilities under the Principles and Provisions of the 2018 UK Corporate Governance Code and under the guidance attached to it. Where it has not followed provision 9 of the code with its appointment of the Chairman in 2008, "a clear rationale for the action" is also set out above.

Graham Pedersen

Chairman of the Nominations Committee

29 March 2021

B4 Directors' Report

B4. DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 January 2021 and for the period up to the date of signing these accounts on 29 March 2021.

The names of 7 of the directors who served during the year and up to the date of signing the accounts are shown in the directors' biographies on pages 24 and 25. Guy Thompson retired from the Board at the start of the year on 10th February 2020 as part of his planned retirement process. Fiann Coombs also served as a director for the full year but, following his family's relocation to Switzerland, has decided not to stand for re-election at the forthcoming Annual General Meeting. Graham Wheeler who was recruited to replace Guy has been CEO of Advantage since October 2019 and was appointed to the Board of S&U plc on 29th September 2020. All other directors served for the full year to 31 January 2021.

No political donations were made during the year (2020: £nil).

Dividends

Dividends of £13,098,000 (2020: £14,461,000) were paid during the year.

After the yearend a second interim dividend for the financial year of £3,033,000 being 25.0p per ordinary share (2020: 36.0p) was paid to shareholders on 12 March 2021.

The directors now recommend a final dividend, subject to shareholders approval of 43.0p per share (2020: 50.0p). This, together with the interim dividends totalling 47.0p per share (2020: 70.0p) already paid, makes a total dividend for the year of 90.0p per share (2020: 120.0p).

Substantial shareholdings

At 29 March 2021, 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 ordinary shares	% of Ordinary share capital
Jennifer Coombs	461,885	3.8%
Jack Coombs	1,677,147	13.8%
Wiseheights Limited	2,420,000	19.9%

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued shared capital during the year are shown in note 19. The Company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. The cumulative preference shares carry 6% interest but do not carry voting rights.

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

Employees and fostering business relationships

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. The Group also recognises the need to foster key business relationships and further details of how we engage with employees and key business partners are contained in our Section 172 statement within our strategic report.

Changes in accounting policies

There were no significant changes in accounting policies this year.

Auditor

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

In line with guidance on longevity for auditors and after nearly twenty three years of being engaged as auditors to the S&U Group including most recently Kieren Cooper's normal maximum five-year term as our audit partner, Deloitte LLP will resign as our auditors after this yearend audit. We thank them for their excellent service. Further to the required audit tender process, a resolution to appoint Mazars LLP will be proposed at the forthcoming Annual General Meeting.

Post balance sheet events

As reported in note 16, the Company as planned has recently extended the maturity on its £60m revolving credit facility from March 2023 to March 2024 and has also replaced the £25m term loan facility maturing in April 2022 with a £50m term loan facility with £25m maturing in March 2028 and £25m maturing in March 2029. After the yearend, there are still challenges arising from the impacts of Covid but the vaccination program for helping to combat the Covid virus has accelerated in the UK and a route map out of lockdown announced by the government. These have been considered in the going concern, viability and estimation uncertainty forward looking disclosures in the strategic report above.

Directors

Under article 154 of the Company's articles of association, the Company has qualifying third party indemnity provisions for the benefit of its directors and those of subsidiary company directors which remain in force at the date of this report.

Information presented in other sections

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

- The Group's principal risks and uncertainties are set out in section A2.4 in the Strategic Report.
- Information concerning director's contractual arrangements and entitlements under share-based remuneration arrangements is given in section B2 in the Directors' remuneration report.
- Information surrounding future developments is given in the Strategic Report.
- Disclosures concerning greenhouse gas emissions are given in Section A4.4 in the Strategic Report.
- Statements of viability and going concern are set out in section A3 in the Strategic Report.
- Information about the Group's use of financial instruments is given in the note the accounts 21.
- Key performance indicators are reported within Strategic Report including the Business Review in section A2.2. The indicators include alternative performance measures, the definitions for which are set out in the note to the accounts 1.13.

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

29 March 2021

B5 Directors' Responsibilities Statement

B5. DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

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

By order of the Board

Anthony Coombs
Chairman

29 March 2021

Chris Redford
Group Finance Director

29 March 2021

C Independent Auditor's Report to the Member Of S&U Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of S&U plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the group income statement;
- the group and parent company statement of comprehensive income;
- the group and parent company balance sheets;
- the group and parent company statements of changes in equity;
- the group and parent company cash flow statements; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union and as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note 6 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

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

C Independent Auditor's Report to the Member Of S&U Plc continued

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: Loan loss provisioning; and Revenue recognition under IFRS 16 Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1.8m which was determined on the basis of 1% of net assets.
Scoping	The group comprises of the parent company of S&U Plc ("S&U"), the main trading entity Advantage Finance Limited ("Advantage") and Aspen Bridging Limited ("Aspen"). We focused our group audit scope on these entities, all of which were subject to full scope audits.
Significant changes in our approach	There have been two key changes to our audit approach this year: • We have amended our materiality benchmark during the FY21 audit process. In the prior year we adopted 5% of profit before tax ("PBT") as the basis for determining materiality, however following the increased volatility to the statutory profit before tax figure as a result of Covid-19, we have moved to use 1% of net assets as our materiality benchmark. Net assets has been used due it being a more stable basis on which to determine materiality going forwards, and furthermore it is a relevant benchmark to users of the financial statements and the group's regulators. • We have expanded our key audit matter around loan loss provisioning to also include the appropriateness of staging criteria for determining significant increases in credit risk. This was in light of the impact to the customer behaviour experienced by the group following the Covid-19 pandemic and the actions of the UK Government in relation to payment holidays for consumer credit customers.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reading management's going concern assessment, which included specific consideration of the impacts of the Covid-19 pandemic and the group's operational resilience, in order to understand, challenge and evidence the key judgements made by management;
- assessing financing facilities in place including the nature of such facilities and their repayment terms, as well as understanding associated covenant conditions and re-performing covenant calculations to evaluate whether they had been complied with;
- challenging key assumptions used in the forecasts such as growth rates based on historic trends and future outlook, including assessing the amount of headroom and the impact of sensitivity analysis;
- testing the clerical accuracy of those forecasts, assessing the historical accuracy of forecasts prepared by management, comparing post balance sheet actual results against forecasts and assessing consistency with forecasts used for other business purposes;
- reviewing correspondence with regulators to understand the capital and liquidity requirements imposed by the group's regulators; and
- assessing the appropriateness of related disclosures in the financial statements.

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

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

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

5. Key audit matters

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

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

C Independent Auditor's Report to the Member Of S&U Plc continued

5.1 Loan loss provisioning

Key audit matter description	The group holds loan loss provisions of £92.6m (2020: £63.4m) in accordance with IFRS 9 against amounts receivable from motor finance customers of £339.4m (2020: £344.1m). The assessment of the loan loss provision against amounts receivable from customers is complex and requires management to make significant judgements concerning Probability of Defaults ("PD's"), Loss Given Defaults ("LGD's"), experienced loss rates and a requirement of any post-model overlays to be applied to the modelled provision, including those related to the macroeconomic environment. We determined a key audit matter in relation to three areas: • The first identified was the completeness and accuracy of post-model overlays made by management to reflect instances where the historical data used to generate PD's, LGD's and experienced loss rates is not expected to reflect the prospective customer patterns. Management has recorded an overlay in relation to forward looking economic impacts that may be driven by factors such as unemployment. • The second was in respect of the appropriateness of the time period of the data set used to determine PD's and LGD's. • The third was in relation to staging criteria for determining significant increases in credit risk. We have expanded our key audit matter around loan loss provisioning since the prior year to also include the appropriateness of staging criteria for determining significant increases in credit risk. This was in light of the impact to the customer behaviour experienced by the Group following the Covid-19 pandemic and the actions of the UK Government in relation to payment holidays for consumer credit customers. Given the degree of judgement involved in determining key assumptions, we also identified that there is a potential for fraud through possible manipulation of this balance. Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.4, with note 14 quantifying the loan loss provision at year end. This area of significant judgement is also discussed by the Audit Committee as detailed in the Committee's report on page 45.

How the scope of our audit responded to the key audit matter	We first obtained an understanding of the process and relevant controls around impairment provisioning against amounts receivable from motor finance customers, as well as reviewing management's judgement paper. We obtained an understanding of relevant controls that the company has in place to manage the risk of inappropriate assumptions being used within the impairment provisioning model. In conjunction with our internal IT specialists we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the provision. We challenged the completeness and accuracy of identified management overlays, through our understanding of the motor finance loan book and the external environment and by reference to supporting calculations and industry updates. We challenged management's consideration of the future economic environment within their macroeconomic scenarios, by comparing model assumptions to publically available data and comparable peer data. We then tested how the impact of macro-economic scenarios was translated into an overlay resulting in additional provisions. We also involved internal economics specialists to challenge the reasonableness of management's assumptions, and challenged management's consideration of events or conditions arising from the impact of Covid-19. We challenged the time period of the data set used to determine PD's and LGD's by assessing the relevance of the historic cohorts considered by management, the treatment adopted for payment holiday accounts and tested the underlying data back to source. Furthermore we challenged management to understand whether changes identified during the year both to the level of customers entering default and the level of subsequent cash collections had been appropriately reflected in the determination of PD's and LGD's. We assessed the potential impact of Covid-19 on management's assessment of staging criteria and the impact on impairment provisions; including assessing how different categories of payment holiday accounts have been treated, and challenging that any adjustments to methodology have not resulted in double counting given the pervasive impact of payment holidays on the motor finance impairment provisions. As part of this we specifically challenged management's staging criteria for determining significant increases in credit risk with reference to the technical requirements of IFRS 9 and peer benchmarking, including criteria linked to payment holiday accounts. Furthermore we also challenged the appropriateness of the experienced loss rate applied to stage 2 amounts receivable from motor finance customers, with reference to historical loss data of sub-populations of the group's customers considered to be a reasonable proxy. We challenged the appropriateness of other key assumptions and management judgements such as Exposure at Default ("EAD"). We also tested the mechanical accuracy of the model which is used to determine the provision and verified the accuracy and completeness of inputs used by tracing a sample of model inputs to underlying source data. We performed a stand back assessment to consider double counting, changes in staging balances and overall coverage ratios and whether this is consistent with the group's assessment. We assessed the consistency of the financial statement disclosures with the accounting standards as well as changes to the assumptions, methodology, and level of uncertainty surrounding loan loss provisions.
Key observations	Based on the evidence obtained, we found that the assumptions underpinning the loan loss provisioning model, including management overlays, time periods of data used and staging criteria, were determined and applied appropriately and the recognised provision was appropriately stated.

C Independent Auditor's Report to the Member Of S&U Plc continued

5.2 Revenue recognition under IFRS 16

Key audit matter description	The group recorded revenue of £79.6m (2020: £85.5m) on motor finance loans in accordance with IFRS 16. Recognising income under IFRS 16 on loans using a constant periodic rate of return on the net investment of the lease (akin to effective interest rate "EIR" under IFRS 9) is a complex area. It requires management to make significant judgements relating to the inclusion of directly attributable costs/fees and the cash flows related thereto, with accounting entries generated using complex spreadsheet models. We determined a key audit matter in relation to the completeness of all directly attributable costs and fees in determining the implicit interest rate of each customer agreement under IFRS 16. Given the degree of judgement involved in relation to fees directly attributable to each customer agreement we identified that there is a potential for fraud through possible manipulation of this balance. Management's accounting policies are detailed in note 1 to the financial statements while the significant judgements involved in revenue recognition are outlined in note 1.3, with note 3 quantifying the revenue recognition at year end. This area of significant judgement is also discussed by the Audit Committee as detailed in the Committee's report on page 45.
How the scope of our audit responded to the key audit matter	We first obtained an understanding of the process and relevant controls around motor finance revenue recognition as well as reviewing management's judgement paper. We obtained an understanding of relevant controls in place to manage the risk of inappropriate assumptions being used within the model. We challenged the ongoing treatment of fees and charges arising on receivables from customers and the appropriateness of their inclusion or exclusion in the determination of the implicit interest rate. We challenged the level of directly attributable costs being deferred through management's model by inspecting policy documentation between the entity and the broker network to independently determine the level of commission expected to be deferred. In addition, we assessed the appropriateness of directly attributable costs through benchmarking these to peers where appropriate. We challenged the appropriateness of other key inputs and assumptions such as the use of contractual life in spreading expected future cash flows, and tested the adjustment applied to stage 3 amounts receivable from motor finance customers in order to record revenue 'net' of impairment provisions. We also tested the mechanical accuracy of the model which is used to determine revenue and verified the accuracy and completeness of inputs used by tracing a sample of model inputs to underlying source data, as well as recalculating the implicit interest rate for a sample of loans.
Key observations	The results of our testing were satisfactory and the underlying methodology used for the calculation of the adjustment is considered appropriate in the context of the accounting policies and the requirements of the relevant accounting standards.

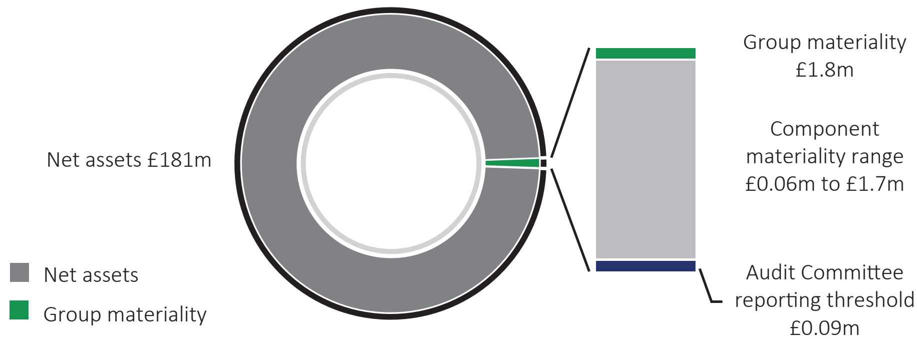
6. Our application of materiality

6.1 Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£1.8m (2020: £1.8m)	£0.7m (2020: £1.1m)
Basis for determining materiality	1% of net assets (2020: 5% of PBT)	Parent company materiality equates to 1% (2020: 1%) of net assets, which is capped at 60% (2020: 60%) of group materiality.
Rationale for the benchmark applied	Net assets has been used due to the volatility in profit before tax following the impacts of Covid-19, including net margin compression and increases in impairment provisions. It is also a relevant benchmark to users of the financial statements and the group's regulators and furthermore it will be a more stable basis on which to determine materiality in the current economic climate.	Net assets is used as the basis for materiality because the parent company is a non-trading entity, as such we consider net assets to reflect its holding activities.



6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2020: 70%) of group materiality	65% (2020: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2021 audit (2020: 70%). In determining performance materiality we considered our risk assessment, including our assessment of the group and parent company's overall control environment and the increased control risks inherent within the business given it is operating in a Covid-19 environment.	

C Independent Auditor's Report to the Member Of S&U Plc continued

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.09m (2020: £0.09m), 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.

7. An overview of the scope of our audit

7.1 Identification and scoping of components

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

The group comprises the parent company S&U and two trading entities, Advantage and Aspen. We focused our group audit scope on these entities, all of which were subject to full scope audits.

These entities account for 100% of the group's net assets (2020: 100%), 100% of the group's revenue (2020: 100%) and 100% of the group's PBT (2020: 100%).

We have performed testing over the consolidation of the group entities. Audit work was performed directly by the group audit team and executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £0.06m to £1.70m (2020: £0.06m to £1.76m).

7.2 Our consideration of the control environment

We identified relevant IT systems for the group in respect of the financial reporting system and Advantage lending system. We performed testing of the general IT controls ('GITCs') associated with these systems and relied upon IT controls for the Advantage lending system.

We planned to adopt a controls reliance approach in relation to the Advantage lending business cycle, with relevant automated and manual controls being tested across this cycle. Based on the completion of these procedures being satisfactory, we were able to adopt a controls reliance approach across the Advantage lending cycle when performing our substantive audit procedures.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

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

We have nothing to report in this regard.

8. Responsibilities of directors

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

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

9. Auditor's responsibilities for the audit of the financial statements

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

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

10. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

10.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, pensions, economics and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: loan loss provisioning under IFRS 9 and revenue recognition under IFRS 16. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the relevant provisions of the UK Companies Act 2006, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the requirements set by the Financial Conduct Authority.

C Independent Auditor's Report to the Member Of S&U Plc continued

10.2 Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning and revenue recognition under IFRS 16 as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

11. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

12. Corporate Governance Statement

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

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 15;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 15;
- the directors' statement on fair, balanced and understandable set out on page 52;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 13;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 14; and
- the section describing the work of the Audit Committee set out on page 45.

13. Matters on which we are required to report by exception

13.1 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.

13.2 Directors' remuneration

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

We have nothing to report in respect of these matters.

14. Other matters which we are required to address

14.1 Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 16 June 1998 to audit the financial statements for the year ending 31 January 1999 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 23 years, covering the years ending 31 January 1999 to 31 January 2021.

14.2 Consistency of the audit report with the additional report to the Audit Committee

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

15. Use of our report

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

Kieren Cooper FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

29 March 2021

The accounts

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D1 The Accounts
D1.1 Group income Statement
For the year ended 31 January 2021

From continuing operations	Notes	2021 £000	2020 £000
Revenue	3	**83,761**	89,939
Cost of sales	4	**(50,969)**	(37,092)
Gross profit		**32,792**	52,847
Administrative expenses		**(11,096)**	(12,863)
Operating profit	6	**21,696**	39,984
Finance costs (net)	7	**(3,568)**	(4,850)
Profit before taxation	2	**18,128**	35,134
Taxation	9	**(3,482)**	(6,252)
Profit for the year attributable to equity holders		**14,646**	28,882
Earnings per share			
Basic	11	**120.7p**	239.6p
Diluted	11	**120.7p**	239.4p

Statement of Comprehensive Income

	Note	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Profit for the year attributable to equity holders		**14,646**	**28,882**	**12,719**	**12,509**
Actuarial loss on defined benefit pension scheme (net of tax)	26	**(9)**	**(14)**	**(9)**	**(14)**
Total Comprehensive Income for the year		**14,637**	**28,868**	**12,710**	**12,495**

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

D1.2 Balance Sheet

As at 31 January 2021

Company Registration No: 0342025

	Notes	**Group 2021 £000**	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**2,713**	2,108	**256**	344
Investments	13	**–**	–	**533**	533
Amounts receivable from customers	14	**170,591**	195,604	**–**	–
Trade and other receivables	15	**–**	–	**130,000**	160,000
Deferred tax assets	18	**109**	94	**49**	34
		173,413	197,806	**130,838**	160,911
Current assets					
Amounts receivable from customers	14	**110,319**	106,146	**–**	–
Trade and other receivables	15	**1,106**	1,473	**41,079**	30,662
Cash and cash equivalents		**1**	656	**1**	801
		111,426	108,275	**41,080**	31,463
Total assets		**284,839**	306,081	**171,918**	192,374
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	16	**(1,295)**	–	**(783)**	–
Trade and other payables	17	**(2,763)**	(3,126)	**(205)**	(173)
Current tax liabilities		**(593)**	(3,697)	**(212)**	(157)
Accruals and deferred income		**(658)**	(601)	**(206)**	(158)
		(5,309)	(7,424)	**(1,406)**	(488)
Non-current liabilities					
Borrowings	16	**(97,500)**	(118,500)	**(97,500)**	(118,500)
Lease liabilities		**(551)**	(233)	**(146)**	(200)
Financial liabilities	20	**(450)**	(450)	**(450)**	(450)
		(98,501)	(119,183)	**(98,096)**	(119,150)
Total liabilities		**(103,810)**	(126,607)	**(99,502)**	(119,638)
NET ASSETS		**181,029**	179,474	**72,416**	72,736
Equity					
Called up share capital	19	**1,717**	1,715	**1,717**	1,715
Share premium account		**2,301**	2,301	**2,301**	2,301
Profit and loss account		**177,011**	175,458	**68,398**	68,720
Total equity		**181,029**	179,474	**72,416**	72,736

The parent company's profit for the financial year after taxation amounted to £12,719,000 (2020: £12,509,000)

These financial statements were approved by the Board of Directors on 29 March 2021.

Signed on behalf of the Board of Directors

AMV Coombs
Chairman

C Redford
Group Finance Director

D1.3 Statement of Changes In Equity

For the year ended 31 January 2021

Group	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2019		1,701	2,301	161,365	165,367
Profit for year		–	–	28,882	28,882
Other comprehensive income for year		–	–	(14)	(14)
Total comprehensive income for year		–	–	28,868	28,868
Issue of new shares in year		14	–	–	14
Cost of future share-based payments		–	–	99	99
Tax charge on equity items		–	–	(413)	(413)
Dividends		–	–	(14,461)	(14,461)
At 31 January 2020		1,715	2,301	175,458	179,474
Profit for year		–	–	14,646	14,646
Other comprehensive income for year		–	–	(9)	(9)
Total comprehensive income for year		–	–	14,637	14,637
Issue of new shares in year	19	2	–	–	2
Cost of future share-based payments	25	–	–	75	75
Tax charge on equity items	18	–	–	(61)	(61)
Dividends	10	–	–	(13,098)	(13,098)
At 31 January 2021		1,717	2,301	177,011	181,029

Company	Notes	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2019		1,701	2,301	70,620	74,622
Profit for year		–	–	12,508	12,508
Other comprehensive income for year		–	–	(14)	(14)
Total comprehensive income for year		–	–	12,494	12,494
Issue of new shares in year		14	–	–	14
Cost of future share-based payments		–	–	79	79
Tax charge on equity items		–	–	(12)	(12)
Dividends		–	–	(14,461)	(14,461)
At 31 January 2020		1,715	2,301	68,720	72,836
Profit for year	8	–	–	12,719	12,719
Other comprehensive income for year		–	–	(9)	(9)
Total comprehensive income for year		–	–	12,710	12,710
Issue of new shares in year		2	–	–	2
Cost of future share-based payments		–	–	72	72
Tax charge on equity items		–	–	(6)	(6)
Dividends		–	–	(13,098)	(13,098)
At 31 January 2021		1,715	2,301	68,398	72,416

D1.4 Cash Flow Statement

For the year ended 31 January 2021

	Note	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Net cash generated from operating activities	22	**32,940**	4,946	**32,561**	4,802
Cash flows from/(used in) investing activities					
Proceeds on disposal of property, plant and equipment		**103**	40	**9**	–
Purchases of property, plant and equipment		**(1,215)**	(305)	**(3)**	(18)
Net cash from/(used in) investing activities		**(1,112)**	(265)	**6**	(18)
Cash flows (used in)/from financing activities					
Dividends paid		**(13,098)**	(14,461)	**(13,098)**	(14,461)
Issue of new shares		**2**	14	**2**	14
Receipt of new borrowings		**4,000**	10,500	**4,000**	10,500
Repayment of borrowings		**(25,000)**	–	**(25,000)**	–
Increase/(decrease) in lease liabilities		**318**	(41)	**(54)**	(30)
Net (decrease)/increase in overdraft		**1,295**	(38)	**783**	(7)
Net cash used in financing activities		**(32,483)**	(4,026)	**(33,367)**	(3,984)
Net increase/(decrease) in cash and cash equivalents		**(655)**	655	**(800)**	800
Cash and cash equivalents at the beginning of year		**656**	1	**801**	1
Cash and cash equivalents at the end of year		**1**	656	**1**	801
Cash and cash equivalents comprise					
Cash and cash in bank		**1**	656	**1**	801

There are no cash and cash equivalent balances which are not available for use by either the Group or the Company (2020: £nil).

D2 Notes to the Accounts continued

Year ended 31 January 2021

1. ACCOUNTING POLICIES

1.1 General Information

S&U plc is a Company incorporated in England and Wales under the Companies Act and is a public company limited by shares. The address of the registered office is given on page 95 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 accounting standards in conformity with the requirements of the Companies Act 2006 and International Financials Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the the European Union. We have also prepared our S&U plc Company financial statements in in conformity with the requirements of the Companies Act 2006 and International Financials Reporting Standards (IFRS) as adopted by the European Union. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the year ended 31 January 2021. 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. In arriving at this reasonable expectation, the directors have considered the current situation in respect of Covid-19 and, in particular, the potential for increased customer repayment difficulties and temporary challenges with asset recovery and realisation at potentially lower residual values as well as operational challenges. Increased repayment difficulties relate to potentially worse customer employment and/or health situations, potentially mitigated by government support and movement restrictions which lower customer outgoings, as well as being potentially mitigated by the forbearance and experience of our skilled staff. Asset recovery and realisation challenges relate mainly to government movement restrictions and the recently announced route map and easing of FCA repossession restrictions are likely to prove helpful mitigants in this respect. Operational challenges relate to the need to mobilise and support staff working from home, which has already been significantly mitigated by staff support and technology. The directors concluded that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

There are no new standards which have been adopted by the group this year which have a material impact on the financial statements of the Group.

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

1.3 Revenue recognition

Interest income is recognised in the income statement for all loans and receivables measured at amortised cost using the constant periodic rate of return on the net investment in the loans, which is akin to an effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value of the advance. Under IFRS16, credit charge income should be recognised using the EIR. Acceptance fees charged to customers and any direct transaction cost are included in the calculation of the EIR. For lease agreements in Advantage Finance which are classified as credit impaired (i.e. stage 3 assets under IFRS 9), the group recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9 and also with the treatment adopted for similar assets in Aspen.

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

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

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

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

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

Stage 3: Credit impaired

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

In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS9 stage 3. The expected credit loss (“ECL”) is the probability weighted estimate of credit losses.

A PD/LGD model was developed by our Motor Finance business, Advantage Finance, to calculate the expected loss impairment provisions in accordance with IFRS9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer defaulting in the next 12 months. This is determined with reference to historical data updated for current and future conditions. If a motor finance loan falls one month or more in contractual arrears then this is deemed credit impaired and included in IFRS9 Stage 3. There are some motor finance loans which are up to date with payments but the customer is in some form of forbearance and we deem this to be a significant increase in credit risk and so these loans are included in Stage 2. As a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures as a result of the Covid pandemic and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2. This is why the volume of customers in Stage 2 has increased at 31 January 2021. As we do not have historical data for such customers, we made an assumption on the loss rates associated with such customers by reference to relevant Stage 3 loss rates. Further sensitivity over this estimation uncertainty is provided in note 1.12.

As required under IFRS9 the expected impact of movements in the macroeconomy is also reflected in the expected loss model calculations. For motor finance, assessments are made to identify correlation of the level of impairment provision with forward looking external data regarding forecast future levels of employment, interest rates and used car values which may affect the customers’ future propensity to repay their loan. In relation to the current uncertainties around Covid impacts and the evolution of Brexit, management have judged that there is currently a more heightened risk of an economic downturn. To factor in such uncertainties, management has included an overlay to reflect this macroeconomic outlook, based on our estimated unemployment levels in future periods. Further sensitivity over this estimation uncertainty is provided in note 1.12.

Other than the changes to the approach mentioned above, there were no significant changes to estimation techniques applied to the calculations used at 31 January 2021 and those used at 31 January 2020.

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

1.11 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 and these are all stated at amortised cost less (in the case of amounts receivable from customers) provision for any impairment.

1.12 Critical accounting judgements and key sources of estimation uncertainty
In preparing these financial statements, the Company has made judgements, estimates and assumptions which affect the reported amounts within the current and next financial year. Actual results may differ from these estimates.

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

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

Significant increase in credit risk for classification in Stage 2.

The Company's transfer criteria determine what constitutes a significant increase in credit risk, which results in a customer being moved from Stage 1 to Stage 2. As a result of the uncertainty over the performance of customers who were granted a payment holiday as part of the Government and FCA support measures and have also either requested a second payment holiday or have had a previous payment delinquency, we have assessed these customers to have a significant increase in credit risk and they are therefore included in Stage 2.

Key sources of estimation uncertainty

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

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

Stage 2 loss rates

Historically the Group had very low value of receivables in the stage 2 and as a result no significant experience in the payment performance of customers in this stage. Directors have made an assumption on the level of loss rate applied to stage 2 receivables. If the loss rate applied decreased by 3% it would result in a decrease in the impairment provision by £996k.

Stage 3 loss rates

Due to the uncertainty over the impact of Covid-19 on the performance of customers in stage 3, Directors have changed one of the staging criteria for stage 3 agreements, increasing the loss rates for customers who have requested and were granted a payment holiday. Applying the same loss rates as customers who have not had a payment holiday would decrease the impairment provision by £2,480k.

Macroeconomic overlay

The Group considers four probability-weighted scenarios in relation to unemployment rate: base, upside, downside and severe scenarios. The weighted average increase in the unemployment rate over the next four years is 2%. Due to the current uncertainty in relation to the ongoing Covid-19 global pandemic and the recently agreed Brexit trade agreement the choice of scenarios and weightings are subject to a significant degree of estimation and the Group uses external data to help this process. An increase by 0.5% in the weighted average unemployment rate would result in an increase in the impairment loss by £743k. A decrease by 0.5% would result in a decrease in the impairment loss by £743k.

1.13 Alternative Performance Measurements

i. Risk adjusted yield as % of average monthly receivables is the gross yield for the period (revenue minus impairment) divided by the average amounts receivable from customers for the period.

ii. Rolling 12-month impairment to revenue % is the impairment charged in the income statement during the 12 months prior to the reporting date divided by the revenue for the same 12-month period. Historic comparisons using this measure were affected by the adoption of new accounting standards IFRS9 and IFRS16 and risk adjusted yield is considered a more historically comparable guide to receivables performance.

iii. Return on average capital employed before cost of funds is calculated as the Operating Profit divided by the average capital employed (total equity plus Bank Overdrafts plus Borrowings less cash and cash equivalents).

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

v. Group gearing is calculated as the sum of Bank Overdrafts plus Borrowings less cash and cash equivalents divided by total equity.

vi. Group collections are the total monthly collections, settlement proceeds and recovery collections in motor finance added to the total amount retained from advances, customer redemptions and recovery collections in property bridging.

D2 Notes to the Accounts continued

Year ended 31 January 2021

2. SEGMENTAL ANALYSIS

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

	Revenue		Profit before taxation	
	Year ended	Year ended	**Year ended**	Year ended
	31.1.21	31.1.20	**31.1.21**	31.1.20
Class of business	**£000**	£000	**£000**	£000
Motor finance	**79,553**	85,465	**17,198**	34,027
Property bridging finance	**4,208**	4,474	**813**	1,205
Central costs net of central finance income	**–**	–	**117**	(98)
	83,761	89,939	**18,128**	35,134

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

	Assets		Liabilities	
	Year ended	Year ended	**Year ended**	Year ended
	31.1.21	31.1.20	**31.1.21**	31.1.20
Class of business	**£000**	£000	**£000**	£000
Motor finance	**250,207**	283,776	**(144,036)**	(178,836)
Property bridging finance	**34,271**	21,204	**(32,213)**	(19,791)
Central	**361**	1,101	**77,748**	78,989
	284,839	306,081	**(98,501)**	(119,638)

Depreciation of assets for motor finance was £417,000 (2020: £337,000), for property bridging finance was £18,000 (2020: £17,000) and for central was £86,000 (2020: £96,000). Fixed asset additions for motor finance were £1,198,000 (2020: £278,000), for property bridging finance were £14,000 (2020: £9,000) and for central were £3,000 (2010: £18,000).

The net finance credit for central costs was £2,577,000 (2020: £2,607,000), for motor finance was a cost of £5,381,000 (2020: £6,597,000) and for property bridging finance was a cost of £764,000 (2020: £861,000). The tax charge for central costs was £48,000 (2020: tax credit of £7,000), for motor finance was a tax charge of £3,265,000 (2020: £6,031,000) and for property bridging finance was a tax charge of £169,000 (2020: £229,000).

The significant products in motor finance are car and other vehicle loans secured under hire purchase agreements.

The significant products in property bridging finance are bridging loans secured on property.

The assets and liabilities of the Parent Company are classified as Central.

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

3. REVENUE

	2021	2020
	£000	£000
Interest and other income from motor finance hire purchase loans	**79,553**	85,465
Interest and other income from property bridging loans	**4,208**	4,474
Total revenue	**83,761**	89,939

4. COST OF SALES

	2021 £000	2020 £000
Loan loss provisioning charge – motor finance	**35,995**	16,507
Loan loss provisioning charge – property bridging finance	**710**	713
Total loan loss provisioning charge	**36,705**	17,220
Other cost of sales – motor finance	**13,586**	19,238
Other cost of sales – property bridging finance	**678**	634
Total cost of sales	**50,969**	37,092

5. INFORMATION REGARDING EMPLOYEES

	Group 2021 No.	Group 2020 No.	Company 2021 No.	Company 2020 No.
The monthly average number of persons employed by the Group in the year was:				
Motor finance	**166**	162	**–**	–
Property bridging finance	**13**	10	**–**	–
Central	**11**	12	**11**	12
Total Group average number of employees	**190**	184	**11**	12

The monthly average employed by the Company was 11 (2020: 12)

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Staff costs during the year (including directors):				
Wages and salaries	**7,626**	8,073	**1,280**	1,365
Social security costs	**866**	777	**280**	202
Pension costs for defined contribution scheme	**361**	358	**37**	37
Total Staff Costs	**8,853**	9,208	**1,522**	1,604

Directors' remuneration and details of the highest paid director are disclosed in the audited section of the Directors' Remuneration Report. No director or current employee is a member of the small historic defined benefit pension plan the details of which are contained in note 26 of these notes to the accounts.

6. OPERATING PROFIT

	2021 £000	2020 £000
Operating profit from continuing operations is after charging:		
Depreciation and amortisation:		
Owned assets	**520**	450
Staff costs	**8,853**	9,208
Cost of future share-based payments	**75**	99
(Profit)/Loss on sale of fixed assets	**(13)**	3

The analysis of auditor's remuneration is as follows:

	2021 £000	2020 £000
Fees payable to the Group's auditor for the audit of the Company's annual accounts	**30**	23
Fees payable to the Group's auditor for other services to the Group		
The audit of the Company's subsidiaries	**115**	90
Total audit fees	**145**	113
Audit related assurance services	**25**	24
Other services	**–**	–
Total non-audit fees	**25**	24
Total	**170**	137

7. FINANCE COSTS (NET)

	2021 £000	2020 £000
31.5% cumulative preference dividend	**142**	142
Lease Liabilities	**13**	4
Bank loan and overdraft	**3,455**	4,704
Interest payable and similar charges	**3,610**	4,850
Interest receivable	**(42)**	–
Total Finance Costs (net)	**3,568**	4,850

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these accounts. The Parent Company's profit for the financial year after taxation amounted to £12,719,000 (2020: £12,509,000).

9. TAX ON PROFIT BEFORE TAXATION

	2021 £000	2020 £000
Continuing Operations		
Corporation tax at 19.0% (2020: 19.0%) based on profit for the year	**3,523**	6,349
Adjustment in respect of prior years	**35**	12
	3,558	6,361
Deferred tax (timing differences- origination and reversal)	**(76)**	(109)
	3,482	6,252

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.

	2021 £000	2020 £000
Profit on ordinary activities before tax from continuing operations	**18,128**	34,560
Tax on profit on ordinary activities at standard rate of 19.0% (2020: 19.0%)	**3,444**	6,675
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**42**	47
Effects of other tax rates and timing differences	**(39)**	(482)
Prior period adjustments	**35**	12
Total actual amount of tax	**3,482**	6,252

The main rate of corporation tax was reduced from 20% to 19% with effect from 1 April 2017, therefore the tax rate applicable to the current period is a rate of 19.0% (2020: 19.0%). In the budget announcement on 3rd March 2021 the government indicated that 19% will also now be the rate of corporation tax moving forward until April 2023 when it is planned to increase to 25%.

10. DIVIDENDS

	2021 £000	2020 £000
2nd Interim dividend paid for the year ended 31/1/2020 – 36.0p per Ordinary share (35.0p)	**4,363**	4,204
Final dividend paid for the year ended 31/1/2020– 50.0p per Ordinary share (51.0p)	**6,067**	6,152
1st Interim dividend paid for the year ended 31/1/2021 – 22.0p per Ordinary share (34.0p)	**2,669**	4,107
Total ordinary dividends paid	**13,100**	14,463
6% cumulative preference dividend paid March and September	**12**	12
Credit for unpresented dividend payments over 12 years old	**(14)**	(14)
Total dividends paid	**13,098**	14,461

A second interim dividend of 25.0p per ordinary share for the year ended 31 January 2021 was paid on 12 March 2021 totalling £3.0m and the directors are proposing a final dividend for the year ended 31 January 2021 of 43p per ordinary share totalling £5.2m. The final dividend will be paid on 9 July 2021 to shareholders on the register at close of business on 18 June 2021 subject to approval by shareholders at the Annual General Meeting on Thursday 20 May 2021.

11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £14,646,000 (2020: £28,882,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,129,768 (2020: 12,056,027). There are a total of 17,000 dilutive share options in issue (2020: 30,667). The number of shares used in the diluted eps calculation is 12,134,619 (2020: 12,066,617).

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost or valuation					
At 1 February 2019	1,269	531	1,452	303	3,555
Additions	33	103	164	5	305
Disposals	(3)	(127)	(35)	–	(165)
At 31 January 2020	1,299	507	1,581	308	3,695
Additions	454	187	147	427	1,215
Disposals	–	(198)	(165)	–	(363)
At 31 January 2021	1,753	496	1,563	735	4,547
Accumulated depreciation					
At 1 February 2019	149	260	812	38	1,259
Charge for the year	51	83	248	68	450
Eliminated on disposals	(1)	(87)	(34)	–	(122)
At 31 January 2020	199	256	1,026	106	1,587
Charge for the year	86	88	219	127	520
Eliminated on disposals	–	(109)	(164)	–	(273)
At 31 January 2021	285	235	1,081	233	1,834
Net book value					
At 31 January 2021	1,468	261	482	502	2,713
At 31 January 2020	1,100	251	555	202	2,108

Included in the above is land at a cost or valuation of £22,000 (2020: £22,000) which is not depreciated.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Right to Use £000	Total £000
Cost or valuation					
At 1 February 2019	42	120	223	251	636
Additions	–	–	18	–	18
Disposals	–	–	–	–	–
At 31 January 2020	42	120	241	251	654
Additions	–	–	3	–	3
Disposals	–	(41)	–	–	(41)
At 31 January 2021	42	79	244	251	616
Accumulated depreciation					
At 1 February 2019	11	75	94	34	214
Charge for the year	–	11	35	50	96
Eliminated on disposals	–	–	–	–	–
At 31 January 2020	11	86	129	84	310
Charge for the year	1	8	27	50	86
Eliminated on disposals	–	(36)	–	–	(36)
At 31 January 2021	12	58	156	134	360
Net book value					
At 31 January 2021	30	21	88	117	256
At 31 January 2020	31	34	112	167	344

Included in the above is land at cost of £22,000 (2020: £22,000) which is not depreciated.

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

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
	8	9	**8**	9

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13. INVESTMENTS AND RELATED PARTY TRANSACTIONS

Company	2021 £000	2020 £000
Shares in subsidiary companies		
At historic cost less impairment	**533**	533

Interests in subsidiaries

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

Subsidiary and Registered Number	Principal activity
Advantage Finance Limited (03773673)	Motor finance
Aspen Bridging Limited (10270026)	Property bridging finance

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

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

All dormant subsidiaries are directly owned by S&U plc with the exception of Advantage Motor Finance Limited and Communitas Finance Limited, which are indirectly wholly owned via Advantage Finance Limited.

All companies in the Group have their registered office at 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.

Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. Transactions with the Company's pension scheme are disclosed in note 26. During the year the Group made charitable donations amounting of £94,500 (2020: £93,000) 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 (2020: £nil). During the year the Group obtained supplies at market rates amounting to £3,693 (2020: £5,668) 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 £12,650,000 (2020: £12,600,000). 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 2021 the Company was owed £171,025,884 (2020: £190,594,857) by other Group undertakings as part of an intercompany loan facility and owed £nil (2020: £nil). All related party transactions were settled in full when due.

14. AMOUNTS RECEIVABLE FROM CUSTOMERS

	Group 2021 £000	2020 £000
Motor finance hire purchase	**339,349**	344,131
Less: Loan loss provision motor finance	**(92,583)**	(63,374)
Amounts receivable from customers motor finance	**246,766**	280,757
Property bridging finance loans	**34,475**	21,949
Less: Loan loss provision property bridging finance	**(331)**	(956)
Amounts receivable from customers property bridging finance	**34,144**	20,993
Amounts receivable from customers total	**280,910**	301,750
Analysis by future date due		
– Due within one year	**110,319**	106,146
– Due in more than one year	**170,591**	195,604
Amounts receivable from customers	**280,910**	301,750
Analysis of security		
Loans secured on vehicles under hire purchase agreements	**242,039**	275,744
Loans secured on property	**34,144**	20,993
Other loans not secured (motor finance where security no longer present)	**4,727**	5,013
Amounts receivable from customers	**280,910**	301,750
Analysis of overdue		
Not impaired		
Neither past due nor impaired	**236,602**	250,097
Past due up to 3 months but not impaired	**–**	–
Past due over 3 months but not impaired	**–**	–
Impaired		
Past due up to 3 months	**30,312**	35,427
Past due over 3 months and up to 6 months	**5,717**	4,173
Past due over 6 months or default	**8,279**	12,053
Amounts receivable from customers	**280,910**	301,750

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good with the exception of 6,298 Covid impacted payment deferral customers who although not in arrears at 31.1.21 were assessed from a review of internal data to have a significant increase in credit risk. Under IFRS9 therefore these customers although not in arrears are included in stage 2 at 31.1.21 with an increased impairment provision (2020: N/A).

14. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

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

As at 31 January 2020	Not credit impaired Stage 1: Subject to 12 months ECL £'000	Not credit impaired Stage 2: Subject to lifetime ECL £'000	Credit imimpaired Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
Motor finance	(13,375)	(51)	(49,948)	(63,374)	344,131
Property bridging finance	(228)	–	(728)	(956)	21,949
Total	(13,603)	(51)	(50,676)	(64,330)	366,080

Loan loss provisions	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000
At 1 February 2019	12,816	71	45,326	58,213
Net transfers and changes in credit risk restated	(5,539)	(41)	8,293	2,713
New loans originated	6,551	30	7,926	14,507
Total impairment charge to income statement	1,012	(11)	16,219	17,220
Amounts netted off revenue for stage 3 assets	–	–	7,292	7,292
Utilised provision on write-offs	(225)	(9)	(18,161)	(18,395)
At 31 January 2020	13,603	51	50,676	64,330
Net transfers and changes in credit risk	**(5,051)**	**11,502**	**17,014**	**23,465**
New loans originated	**6,302**	**1,219**	**5,719**	**13,240**
Total impairment charge to income statement	**1,251**	**12,721**	**22,733**	**36,705**
Amounts netted off revenue for stage 3 assets	**–**	**–**	**8,891**	**8,891**
Utilised provision on write-offs	**(174)**	**(13)**	**(16,825)**	**(17,012)**
At 31 January 2021	**14,680**	**12,759**	**65,475**	**92,914**

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Amounts owed by subsidiary undertakings	**–**	–	**171,025**	190,595
Other debtors	**168**	494	**5**	7
Prepayments and accrued income	**938**	979	**49**	30
	1,106	1,473	**171,079**	190,662

The amounts owed by subsidiary undertakings in the Company's balance sheet are stated net of impairment and, other than £130.0m of intercompany receivables from Advantage Finance Limited (2020: £160.0m), which are due after more than one year, the amounts owed by subsidiary undertakings have no fixed maturity date. Under IFRS7 there are no amounts included in trade and other receivables which are past due but not impaired. The carrying value of trade and other receivables is not materially different to their fair value.

16. BORROWINGS INCLUDING BANK OVERDRAFTS AND LOANS

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Bank overdrafts and loans – due within one year	**1,295**	–	**783**	–
Bank and other loans – due in more than one year	**97,500**	118,500	**97,500**	118,500
	98,795	118,500	**98,283**	118,500

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 2021:

– a facility for £5 million (2020: £5m) which is subject to annual review in June 2021.

– a facility for £2 million (2020: £2m) which is subject to annual review in March 2021.

Total drawdowns of these overdraft facilities at 31 January 2020 were £1,294,713 (2020: £nil).

S&U plc had the following revolving credit facilities available at 31 January 2021:

– a facility for £60 million (2020: 60m) which is due for repayment in March 2023.

– a facility for £20 million (2020: £25m) which is due for repayment in March 2025.

– a facility for £25 million (2020: £25m) which is due for repayment in March 2024.

The maturity on the £60m has also been extended to March 24 after the yearend.

S&U plc had the following term loan facilities available at 31 January 2021:

– a facility for £25 million (2020: £25m) which is due for repayment in April 2022.

A related £25m term loan facility due for repayment in April 2021 was repaid early during the year.

The remaining outstanding term loan facility for £25m was replaced after the yearend with a replacement term loan facility for £50m- £25m of the new facility is due for repayment in March 2028 and £25m is due for repayment in March 2029.

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

The Company is part of the Group overdraft facility and at 31 January 2021 was £783,244 overdrawn (2020: £nil). A maturity analysis of the above borrowings is given in note 21.

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Year ended 31 January 2021

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Trade creditors	**397**	415	**139**	80
Other creditors	**2,366**	2,711	**66**	93
	2,763	3,126	**205**	173

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

18. DEFERRED TAX

Group	**Accelerated tax depreciation £000**	**Share based payments £000**	**Shadow Share Options £000**	**Total £000**
At 1 February 2019	(98)	496	–	398
Credit/(debit) to income	9	19	81	109
Credit to equity	–	(413)	–	(413)
At 31 January 2020	(89)	102	81	94
(Debit)/credit to income	9	19	81	109
Charge to equity	–	(413)	–	(413)
At 31 January 2021	(89)	102	81	94

Company	**Accelerated tax depreciation £000**	**Share based payments £000**	**Shadow Share Options £000**	**Total £000**
At 1 February 2019	(13)	44	–	31
Credit to income	–	15	–	15
Charge to equity	–	(12)	–	(12)
At 31 January 2020	(13)	47	–	34
Credit to income	–	15	–	15
Charge to equity	–	(12)	–	(12)
At 31 January 2021	(13)	47	–	34

Shadow share options are long term share based incentive instruments which will be settled in cash when exercised based on future share price and require achieving certain performance targets and are subject to continued employment conditions.

The Finance (No.2) Bill 2015 provided that the tax rate reduced to 19% with effect from 1 April 2017 and in the budget announcement on 3rd March 2021 the government indicated that 19% will also now be the rate of corporation tax moving forward until April 23 when it is planned to increase to 25%. The prevailing rate of corporation tax at the balance sheet date at which the deferred tax balance is expected to reverse is 19% and this has been applied to calculate the deferred tax position at 31 January 2021.

19. CALLED UP SHARE CAPITAL AND PREFERENCE SHARES

	2021 £000	2020 £000
Called up, allotted and fully paid		
12,133,760 Ordinary shares of 12.5p each (2020: 12,120,083)	**1,515**	1,515
200,000 6.0% Cumulative preference shares of £1 each	**200**	200
Called up share capital	**1,717**	1,715

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

20. FINANCIAL LIABILITIES

Preference Share Capital	2021 £000	2020 £000
Called up, allotted and fully paid		
3,598,506 31.5% Cumulative preference shares of 12.5p each (2020: 3,598,506)	**450**	450

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

21. FINANCIAL INSTRUMENTS

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

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

As at 31 January 2020 the Group's indebtedness amounted to £98,795,000 (2020: £117,844,000) and the Company's indebtedness amounted to £98,283,000 (2020: £117,699,000). The Group gearing was 54.6% (2020: 65.7%), being calculated as borrowings net of cash as a percentage of total equity. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

S&U plc has unused committed borrowing facilities at 31 January 2021 of £32.5m (2020: £41.5m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2021 was estimated to be 27% (2020: 28%). The average effective interest rate of financial liabilities of the Group at 31 January 2021 was estimated to be 4% (2020: 4%). The average effective interest rate on financial liabilities of the Company at 31 January 2021 was estimated to be 4% (2020: 4%).

21. FINANCIAL INSTRUMENTS (CONTINUED)

Currency and credit risk

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

Interest rate risk

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts where appropriate to hedge these exposures in bank borrowings. There are no interest rate derivative contracts held at 31 January 2021 (2020: none held). There is considered to be no material interest rate risk in cash, trade and other receivables, preference shares and trade and other payables.

The sensitivity analyses below have been determined based on the exposure to interest rates at the balance sheet date. The Group has low gearing for its sector and the directors consider a 0.5% and a 1% movement in interest rates to reflect the UK interest rate environment and to be appropriate for sensitivity analyses. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year.

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

- profit for the year ended 31 January 2021 would decrease/increase by £0.5million (2020: decrease/increase by £0.5million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.4million (2020: decrease/increase by £0.4million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

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

- profit for the year ended 31 January 2021 would decrease/increase by £1.0million (2020: decrease/increase by £1.0million). This is mainly attributable to the Group's exposure on its variable rate borrowings.
- total equity would decrease/increase by £0.8million (2020: decrease/increase by £0.8million). This is mainly attributable to the Group's exposure on its variable rate borrowings.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all material capital transactions. The Group's objective in respect of capital risk management is to maintain a conservative "Group Gearing" level with respect to market conditions, whilst taking account of business growth opportunities in a capital efficient manner. "Group Gearing" is calculated as the sum of Bank Overdrafts plus Bank Loans less Cash and Cash Equivalents divided by Total Equity. At 31 January 2021 the Group gearing level was 54.6% (2020: 65.7%) which the directors consider to have met their objective.

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

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities with the exception of the junior preference share capital are considered to be not materially different from their book values. The junior preference share capital classified as a financial liability is estimated to have a fair value of £1.9m (2020: £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.

21. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Management review and manage the maturity of borrowing facilities appropriately. Most of the Group's financial assets are repayable anyway within two years which together with net gearing of just under 55% results in a positive liquidity position.

Group At 31 January 2021	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Financial assets	**110,319**	**52,879**	**117,712**	**–**	**–**	**280,910**
Other assets	**–**	**–**	**–**	**–**	**3,928**	**3,928**
Cash at bank and in hand	**1**	**–**	**–**	**–**	**–**	**1**
Total assets	**110,320**	**52,879**	**117,712**	**–**	**3,928**	**284,839**
Shareholders' funds	**–**	**–**	**–**	**–**	**(181,029)**	**(181,029)**
Bank overdrafts and loans	**–**	**(25,000)**	**(73,795)**	**–**	**–**	**(98,795)**
Lease liabilities	**(169)**	**(161)**	**(221)**	**–**	**–**	**(551)**
Financial liabilities	**–**	**–**	**–**	**(450)**	**–**	**(450)**
Other liabilities	**–**	**–**	**–**	**–**	**(4,014)**	**(4,014)**
Total liabilities and shareholders' funds	**(169)**	**(25,161)**	**(74,016)**	**(450)**	**(185,043)**	**(284,839)**
Cumulative gap	**110,151**	**137,869**	**181,565**	**181,115**	**–**	**–**

Group At 31 January 2020	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	106,146	59,488	136,116	–	–	301,750
Other assets	–	–	–	–	3,675	3,675
Cash at bank and in hand	656	–	–	–	–	656
Total assets	106,802	59,488	136,116	–	3,675	306,081
Shareholders' funds	–	–	–	–	(179,474)	(179,474)
Bank overdrafts and loans	–	(44,000)	(74,500)	–	–	(118,500)
Lease liabilities	(72)	(77)	(84)	–	–	(233)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(7,424)	(7,424)
Total liabilities and shareholders' funds	(72)	(44,077)	(74,584)	(450)	(186,898)	(306,081)
Cumulative gap	106,730	122,141	183,673	183,223	–	–

21. FINANCIAL INSTRUMENTS (CONTINUED)

Company At 31 January 2021	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Other assets	–	25,000	105,000	–	41,917	171,917
Cash at bank and in hand	1	–	–	–	–	1
Total assets	1	25,000	105,000	–	41,917	171,918
Shareholders' funds	–	–	–	–	(72,416)	(72,416)
Bank overdrafts and loans	–	(25,000)	(73,283)	–	–	(98,283)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(63)	(66)	(17)	–	–	(146)
Other liabilities	–	–	–	–	(623)	(623)
Contingent liabilities	(511)	–	–	–	–	(511)
Total liabilities and shareholders' funds	(574)	(25,066)	(73,300)	(450)	(73,039)	(172,429)
Cumulative gap	(573)	(639)	31,061	30,611	(511)	(511)

Company At 31 January 2020	Less than 1 year £'000	More than 1 year but not more than 2 years £'000	More than 2 years but not more than 5 years £'000	More than 5 years £'000	No fixed maturity date £'000	Total £'000
Other assets	–	50,000	110,000	–	31,573	191,573
Cash at bank and in hand	801	–	–	–	–	801
Total assets	801	50,000	110,000	–	31,573	192,374
Shareholders' funds	–	–	–	–	(72,736)	(72,736)
Bank overdrafts and loans	–	(44,000)	(74,500)	–	–	(118,500)
Financial liabilities	–	–	–	(450)	–	(450)
Lease liabilities	(54)	(63)	(83)	–	–	(200)
Other liabilities	–	–	–	–	(488)	(488)
Contingent liabilities	(145)	–	–	–	–	(145)
Total liabilities and shareholders' funds	(199)	(44,063)	(74,583)	(450)	(73,224)	(183,818)
Cumulative gap	602	6,539	41,956	41,506	(145)	(145)

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

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

Group At 31 January 2020	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	–	3,126	–	–	–	3,126
Tax liabilities	–	3,697	–	–	–	3,697
Accruals and deferred income	–	601	–	–	–	601
Borrowings	–	–	44,000	74,500	–	118,500
Lease liabilities	–	72	77	84	–	233
Financial liabilities	–	–	–	–	450	450
At 31 January 2020	–	7,496	44,077	74,584	450	126,607

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

Company At 31 January 2020	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	–	173	–	–	–	173
Tax liabilities	–	157	–	–	–	157
Accruals and deferred income	–	158	–	–	–	158
Borrowings	–	–	44,000	74,500	–	118,500
Lease liabilities	–	54	63	83	–	200
Financial liabilities	–	–	–	–	450	450
At 31 January 2020	–	542	44,063	74,583	450	119,638

D2 Notes to the Accounts continued

Year ended 31 January 2021

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

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Operating Profit	**21,696**	39,984	**10,190**	9,892
Finance costs paid	**(3,610)**	(4,850)	**(147)**	(148)
Finance income received	**42**	–	**2,724**	2,755
Tax paid	**(6,662)**	(6,659)	**(14)**	(69)
Depreciation on plant, property and equipment	**520**	450	**86**	96
(Profit)/loss on disposal of plant, property and equipment	**(13)**	3	**(4)**	–
Decrease/(increase) in amounts receivable from customers	**20,840**	(24,687)	**–**	–
Decrease/(increase) in trade and other receivables	**367**	(418)	**19,583**	(7,862)
(Decrease)/increase in trade and other payables	**(363)**	987	**32**	59
Increase in accruals and deferred income	**57**	51	**48**	13
Increase in cost of future share based payments	**75**	99	**72**	80
Movement in retirement benefit asset/obligations	**(9)**	(14)	**(9)**	(14)
Net cash used from operating activities	**32,940**	4,946	**32,561**	4,802

23. FINANCIAL COMMITMENTS

Capital commitments

At 31 January 2021 and 31 January 2020, the Group and Company had no capital commitments contracted but not provided for.

24. CONTINGENT LIABILITIES

The Company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 2021 was £511,469 (2020: £145,060).

25. SHARE BASED PAYMENTS

The Company operates a Long Term Incentive Plan (LTIP 2010) and full details of the share options outstanding during the year are shown below:

	Number Of Share Options 2021	Number Of Share Options 2020
LTIP 2010		
Outstanding at beginning of year	**30,667**	133,834
Granted during the year	**4,000**	12,500
Lapsed during the year	**(4,000)**	(7,000)
Exercised during the year	**(13,667)**	(108,667)
Expired during the year	**–**	–
Outstanding at end of year	**17,000**	30,667
Exercisable at end of year	**5,000**	5,000

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

The weighted average share price for share options exercised during the year was £16.39 (2020: £20.96).

The weighted average remaining contractual life of the outstanding share options is 5 months (2020: 9 months).

The Group recognised total share-based payment expenses for LTIP of £75,000 in the year to 31 January 2021 (2020: £99,000).

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

26. RETIREMENT BENEFIT OBLIGATIONS

The Company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2019. At that valuation it was assumed that the appropriate post retirement discount rate was 1.36% and pension increases would be 3.6% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS19 in order to assess the liabilities of the scheme as at 31 January 2021. 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 2022 is £nil.

The scheme is run by Trustees who are responsible for the affairs of the scheme. Trustees during the year were Mr GDC Coombs and Mr CH Redford who are also directors of S&U plc. The scheme is closed to new members. The Trustees discuss the affairs of the scheme and deal with discretionary matters regarding benefits. The trustees have employed Barclays Wealth as investment managers. S&U plc has power, under the Trust Deed and Rules which govern the operation of the Fund, to remove Trustees from office, to accept their resignations, and to appoint new or additional Trustees. The directors of S&U plc consider all these arrangements to be appropriate, having noted that the scheme has been closed to new members for over 40 years, the scheme continues to have a significant surplus and the scheme's defined benefit obligations are not material in the context of the group.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2019 and updated to 31 January 2021 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 2021	At year end 31 January 2020
Rate of increase in salaries		
Pension increases:	**Na**	Na
Pre-97 Pension	**0.0%**	0.0%
Post 97 Pension	**3.2%**	3.1%
Discount rate	**1.1%**	1.4%

Mortality assumption for 31 January 2021 comes from the S3PA tables with CMI-2019 1.25% long term trend and for 31 January 2020 mortality assumption was from the S2PA tables with CMI-2018 1.25% long term trend.

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

	Proportion held at 31 January 2021 £000	Proportion held at 31 January 2020 £000
Equities	**46%**	49%
Bonds	**27%**	21%
Cash/Other	**28%**	30%
Total market value of assets	**100%**	100%

D2 Notes to the Accounts continued

Year ended 31 January 2021

26. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	Jan 21 £000	Jan 20 £000
Fair value of plan assets	**1,100**	1,123
Present value of defined benefit obligations	**(536)**	(538)
Surplus before restriction	**564**	585
Restriction on Surplus	**(564)**	(585)
Pension asset	**0**	0

The amount recognised in the income statements during the year

	Jan 21 £000	Jan 20 £000
Current service cost	**–**	–
Interest on obligation	**7**	11
Expected return on plan assets	**(16)**	(25)
Expense recognised in the income statement	**(9)**	(14)
Opening net (asset)	**–**	–
Expense	**(9)**	(14)
Contributions paid	**–**	–
Actuarial loss	**9**	14
Closing net (asset)	**0**	0

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

Movement in present value of obligation	Jan 21 £000	Jan 20 £000
Present value of obligation at 1 February	**538**	517
Interest cost	**7**	11
Current service cost	**–**	–
Benefits paid	**(41)**	(41)
Actuarial (gain)/loss on obligation – assumptions	**21**	39
Actuarial loss on obligation – experience	**11**	12
Present value of obligation at 31 January	**536**	538
Experience adjustment on scheme liabilities		
Actuarial (gain)/loss as percentage of scheme liabilities	**2%**	2%
Movement in fair value of plan assets		
Fair value of plan assets at 1 February	**1,123**	1,093
Expected return on plan assets	**16**	25
Contributions	**–**	–
Benefits paid	**(41)**	(41)
Actuarial gain on plan assets	**2**	46
Fair value of plan assets at 31 January	**1,100**	1,123
Experience adjustment on assets		
Actuarial (gain)/loss as percentage of scheme assets	**0%**	4%

Five Year Record

	2017 IAS39 £000	2018 IAS39 £000	2019 IFRS9 £000	2020 IFRS9 £000	**2021** **IFRS9** **£000**
Continuing Operations Only					
Revenue	60,521	79,781	82,970	89,939	**83,761**
Cost of Sales	(12,871)	(17,284)	(15,751)	(19,872)	**(14,264)**
Impairment	(12,194)	(19,596)	(16,941)	(17,220)	**(36,705)**
Administrative Expenses	(8,585)	(9,923)	(11,177)	(12,863)	**(11,096)**
Operating profit	26,871	32,978	39,101	39,984	**21,696**
Finance Costs (net)	(1,668)	(2,818)	(4,541)	(4,850)	**(3,568)**
Profit before taxation	25,203	30,160	34,560	35,134	**18,128**
Taxation	(4,861)	(5,746)	(6,571)	(6,252)	**(3,482)**
Profit for the year	20,342	24,414	27,989	28,882	**14,646**
Assets employed in all operations					
Fixed assets	1,190	1,931	2,062	2,108	**2,713**
Amounts receivable and other assets	194,577	263,262	278,751	303,973	**282,126**
	195,767	265,193	280,813	306,081	**284,839**
Liabilities	(56,300)	(112,377)	(115,446)	(126,607)	**(103,810)**
Total equity	139,467	152,816	165,367	179,474	**181,029**
Earnings per Ordinary share	170.7p	203.8p	233.2p	239.6p	**120.7p**
Dividends declared per Ordinary share	91.0p	105.0p	118.0p	120.0p	**90.0p**
Group gearing	35.3%	68.7%	65.3%	65.7%	**54.6%**

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

Financial Calendar

Annual General Meeting			20 May 2021
Announcement of Results	Half year ending 31 July 2021 Year ending 31 January 2022		28 September 2021 March 2022
Payment of Dividends	6% Cumulative Preference Shares		30 September 2021 & 31 March 2022
	31.5% Cumulative Preference Shares		31 July 2021 & 31 January 2022
	Ordinary Shares	– 2020/21 final	9 July 2021
		– Ex dividend date	17 June 2021
		– Record date	18 June 2021
		– 2021/22 first interim	November 2021
		– 2021/22 second interim	March 2022

Annual General Meeting Arrangements

The Annual General Meeting will take place on 20 May 2021 – further details of arrangements are contained in the Notice of Annual General Meeting sent to shareholders and on the company website at www.suplc.co.uk

Officers and Professional Advisors

Directors

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

Secretary

C H Redford ACA

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Natwest Bank
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Allied Irish Bank (GB)
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Auditor

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Statutory Auditor
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