

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Circular or the action you should take, you should consult immediately a person authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition and disposal of shares and other securities.

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this Circular and the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of Ordinary Shares you should retain these documents.

Arden Partners plc, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority for the conduct of investment business, is acting for the Company and for no one else in connection with the Proposed Disposal and, accordingly, will not be responsible to anyone other than the Company for providing the protections afforded to clients of Arden Partners plc or for providing advice in relation to the Proposed Disposal, the contents of this document or any transaction, arrangement or other matter referred to in this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on Arden Partners plc under FSMA or the regulatory regime established thereunder, Arden Partners plc accepts no responsibility whatsoever and takes no representation or warranty, express or implied, concerning the contents of this document including its accuracy, completeness and verification or concerning any other statement made or purported to be made by it or on behalf of it, in connection with the Company and the Proposed Disposal.

**This Circular should be read as a whole. Your attention is drawn to the "Letter from the Chairman" set out in Part 1 of this Circular which contains a recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. For a discussion of certain risks and other factors that should be considered in connection with the Proposed Disposal, see the "Risk Factors" set out in Part 2 of this Circular.**

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## **S & U plc**

(a company incorporated in England and Wales under the Companies Act 1948, with registered no. 342025

## **PROPOSED DISPOSAL OF LOANSATHOME4U AND NOTICE OF GENERAL MEETING**

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Copies of this Document are available on the "Investors" section of the Company's website at [www.suplc.co.uk](http://www.suplc.co.uk) and are also available for collection, free of charge, during normal business hours on any Business Day up until close of the General Meeting from the registered office of the Company. Unless you have sold or transferred all your Ordinary Shares you are recommended to retain this Circular for reference.

Notice of the General Meeting of the Company convened for 11.00 a.m. on 3 August 2015 at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL is set out at the end of this Circular. To be valid, the accompanying Form of Proxy for use at the General Meeting must be completed and returned so as to reach the Registrars by hand (during normal business hours only) or by post at Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU by not later than 11.00 a.m. on 1 August 2015.

As an alternative to completing the enclosed Form of Proxy, you can appoint a proxy electronically at [www.capitashareportal.com](http://www.capitashareportal.com). For electronic proxy appointment to be valid, your appointment must be received by not later than 11.00 a.m. on 1 August 2015 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

## **FORWARD LOOKING STATEMENTS**

This Circular contains “forward looking statements” concerning the Retained Group. Generally, the words “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intend”, “may”, “plan”, “project”, “should” and similar expressions identify forward-looking statements. Such statements reflect the Directors’ current views with respect to future events and are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the Group’s or the Retained Group’s ability to control or estimate precisely, such as changes in general economic and business conditions, changes in interest rates, introduction of competing products or services, lack of acceptance of new products or services, changes in business strategy and the behaviour of other market participants and other factors discussed in Part 2 “Risk Factors” of this Circular, and therefore undue reliance should not be placed on such statements.

The forward looking statements speak only as at the date of this Circular. Except as required by the Financial Conduct Authority, the London Stock Exchange, the Part VI Rules (including the Listing Rules, the Prospectus Rules and/or the Disclosure and Transparency Rules) or applicable law, S & U does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Listing Rules, the Prospectus Rules, the DTRs or any other applicable law, S & U expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Circular might not occur.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2015
Announcement of the Proposed Disposal	7 July
Posting of the Circular to Shareholders	by 10 July
Last time and date for receipt of Forms of Proxy and/or electronic proxy appointments	11.00 a.m. on 1 August
General Meeting	11.00 a.m. on 3 August
Expected completion date of the Proposed Disposal	4 August

### Notes:

1. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by an announcement through the Regulatory Information Service of the London Stock Exchange.
2. All times shown in this Circular are London times unless otherwise stated.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Anthony Coombs Graham Coombs Chris Redford Guy Thompson Mike Mullins Mike Thompson Demetrios Markou Keith Smith Graham Pedersen Fiann Coombs	Chairman Deputy Chairman Group Finance Director Managing Director of Advantage Managing Director of Home Credit Managing Director of SD Taylor Limited Non Executive Director Non Executive Director Non Executive Director Non Executive Director
<b>Company secretary</b>		Manjeet Bhogal
<b>Registered Office, Principal Place of Business of the Company and Business Address of the Directors</b>		Royal House Prince's Gate Homer Road Solihull B91 3QQ
<b>Website address</b>		<a href="http://www.suplc.co.uk">www.suplc.co.uk</a>
<b>Sponsor, Joint Financial Adviser and Broker to the Company</b>		Arden Partners plc 125 Old Broad Street London EC2N 1AR
<b>Solicitors to the Company</b>		DLA Piper UK LLP Victoria Square House Victoria Square Birmingham B2 4DL
<b>Reporting Accountants</b>		Deloitte LLP 2 Hardman Street Manchester M3 3HF
<b>Auditors</b>		Deloitte LLP 4 Brindleyplace Birmingham B1 2HZ
<b>Registrars</b>		Capita Asset Services The Registry 34 Beckenham Road Kent BR3 4TU

## DEFINITIONS

The following definitions apply throughout this Circular and the accompanying Form of Proxy unless the context otherwise requires:

<b>“2006 Act”</b>	the UK Companies Act 2006;
<b>“2013 Annual Report”</b>	the audited consolidated financial statements of S & U for the year ended 31 January 2013;
<b>“2014 Annual Report”</b>	the audited consolidated financial statements of S & U for the year ended 31 January 2014;
<b>“2015 Annual Report”</b>	the audited consolidated financial statements of S & U for the year ended 31 January 2015;
<b>“Advantage”</b>	Advantage Finance Limited, the motor finance division of S & U;
<b>“Business Day”</b>	a day (other than a Saturday or Sunday) in which clearing banks in the City of London are generally open for business;
<b>“Circular” or “Document”</b>	this document, including the information incorporated into it by reference;
<b>“Company” or “S &amp; U”</b>	S & U plc;
<b>“Completion”</b>	completion of the proposed disposal in accordance with the Share Purchase Agreement;
<b>“Directors” or the “Board”</b>	the directors of the Company whose names are set out on page 5 of this Circular;
<b>“DTR”</b>	the Disclosure and Transparency Rules published by the FCA in accordance with section 73A(2) of FSMA;
<b>“FCA”</b>	the UK Financial Conduct Authority;
<b>“Form of Proxy”</b>	the form of proxy accompanying this Circular issued for use by Shareholders in connection with the General Meeting;
<b>“FSMA”</b>	the UK Financial Services and Markets Act 2000, as amended from time to time;
<b>“General Meeting”</b>	the general meeting of the Company convened for 11:00 a.m. on 3 August 2015, notice of which is set at the end of this Circular;
<b>“Group”</b>	the Company and its subsidiaries and “member of the Group” shall be construed accordingly;
<b>“Loansathome4u”</b>	the home credit business of the Group comprising SD Taylor Limited and a division of S & U;
<b>“Irrevocable Undertakings”</b>	the irrevocable undertakings, detailed in paragraph 3.3 of Part 6 of this Circular;
<b>“Listing Rules”</b>	the Listing Rules published by the FCA in accordance with 73A(2) of FSMA;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“NSF” or the “Purchaser”</b>	Non-Standard Finance plc;
<b>“Notice”</b>	the notice of General Meeting, which is set out at the end of this Circular;
<b>“Official List”</b>	the Official List of the UKLA;
<b>“Ordinary Shares”</b>	ordinary shares of 12.5 pence each in the capital of the Company;
<b>“pence”, “£” or “p”</b>	the lawful currency of the United Kingdom;
<b>“Proposed Disposal”</b>	the proposed disposal by S & U of Loansathome4u in accordance with the terms and subject to the conditions of the Share Purchase Agreement;
<b>“Prospectus Directive Regulation”</b>	means the EU directive 2003/71/EC and any implementing measures in each member state of the European Economic Area that has implemented directive 2003/71/EC;

<b>“Prospectus Rules”</b>	the prospectus rules made by the FCA for the purposes of Part VI of FSMA;
<b>“Readmission”</b>	the successful applications of NSF to the FCA and the London Stock Exchange to have all of its issued share capital readmitted to the standard segment of the Official List and the Main Market of the London Stock Exchange immediately following Completion;
<b>“Registrars”</b>	Capita Asset Services, The Registry, 34 Beckenham Road, Kent BR3 4TU;
<b>“Regulatory Information Service”</b>	means any of the services set out in Schedule 12 of the Listing Rules;
<b>“Resolution”</b>	the ordinary resolution to be proposed at the General Meeting approving the Proposed Disposal;
<b>“Retained Group”</b>	the Group following the Proposed Disposal becoming effective;
<b>“Share Purchase Agreement”</b>	the conditional share purchase agreement dated 7 July 2015 between S & U and NSF relating to the Proposed Disposal and described in Parts 1 and 5 of this Circular;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“subsidiary”</b>	as defined in section 1159 of the 2006 Act;
<b>“Title Warranties”</b>	the title warranties in the Share Purchase Agreement relating to the ownership of the shares in SD Taylor Limited;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland; and
<b>“UKLA or UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purpose of FSMA.

## LETTER FROM THE CHAIRMAN

### S & U plc

(a company incorporated in England and Wales  
with registered no. 342025)

*Registered and Head Office*  
Royal House  
Prince's Gate  
Homer Road  
Solihull  
B91 3QQ

Directors:

Anthony Coombs (Chairman)  
Graham Coombs (Deputy Chairman)  
Chris Redford (Group Finance Director)  
Guy Thompson (Managing Director of Advantage)  
Mike Mullins (Managing Director of Home Credit)  
Mike Thompson (Managing Director of SD Taylor Limited)  
Demetrios Markou (Non Executive Director)  
Keith Smith (Non Executive Director)  
Graham Pedersen (Non Executive Director)  
Fiann Coombs (Non Executive Director)

9 July 2015

Dear Shareholder,

### **Proposed disposal of Loansathome4u and Notice of General Meeting**

#### **Introduction**

S & U announced on 7 July 2015 that it has conditionally agreed to sell Loansathome4u for a cash consideration of £82.5 million to NSF. The principal terms of the Share Purchase Agreement are set out in Part 5 of this Circular.

In view of its size, the Proposed Disposal is a class 1 transaction under the Listing Rules and is therefore subject to, and conditional on, *inter alia*, Shareholder approval at a General Meeting. The General Meeting has been convened at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL at 11.00 a.m. on 3 August 2015 and the Notice of General Meeting containing the Resolution is set out at the end of this Circular.

The purpose of this Circular is to provide Shareholders with details of the Proposed Disposal and to explain why the Board considers it to be in the best interests of Shareholders as a whole and to recommend that Shareholders vote in favour of the Resolution approving the Proposed Disposal.

#### **Background**

S & U was founded in 1938. Today it comprises two parts. The first and largest is Advantage, a motor finance business founded within the Group in 1999 and based in Grimsby. Advantage has achieved 16 years of unbroken profits growth. For the financial year ending January 2011 Advantage profit before tax had reached £4.2 million on revenues of £16.0 million. In the financial year ending January 2015 this had risen to £16.7 million on revenues of £36.1 million.

The Directors believe that Advantage's success has been built on providing a speedy, efficient and sensibly priced source of motor finance for customers who have been over-looked or rejected by the main clearing banks and other lenders. Customer numbers reached *circa* 26,000 as at the date of this Circular and during the three financial years ended 31 January 2013 to 2015 Advantage achieved a compound annual growth rate in revenue of 26.6 per cent.

The second and more traditional component of S & U is Loansathome4u, its home credit division. This is the direct descendant of the credit drapery business founded by Clifford Coombs 77 years ago. In the financial year ended 31st January 2015, Loansathome4u produced revenues of £38.3 million and profit before tax of £8.4 million. Net assets as at 31 January 2015, excluding an inter-company receivable balance of £16.3 million, for Loansathome4u were £33.1 million. The inter-company receivable represents cash lent to S & U which will be retained as part of the Proposed Disposal.

A recent unsolicited approach led the Board to reconsider the Group's future strategy, the significant benefits the approach gives for realising fair value for shareholders and the opportunity the Proposed Disposal gives the Group for further and faster expansion in Advantage and its Advantage SME vehicle loans product as well as other higher growth areas of specialist finance discussed in more detail below. Following further negotiations, the Board is now able to recommend the Proposed Disposal being placed before Shareholders today.

### Description of Loansathome4u

Loansathome4u operates from 40 locations throughout England, Wales and Scotland including the head office in Solihull. It operates and is licensed through two companies: S & U is a part of the holding company, S & U, and has 19 branches throughout the Midlands, the South of England, South Wales and South Yorkshire; SD Taylor is a wholly owned subsidiary of S & U which covers the North of England, North Wales and The Lowlands and Central belt of Scotland. Loansathome4u is the trading name for both home credit companies which employ over 300 people and operate through approximately 530 representative agencies. These employees and representatives provide a home credit service for around 100,000 customers.

Historically Loansathome4u provided the core of S & U's earnings and has generated, on average, cash before taxation and dividend payments of £6.6 million per annum over the course of each of the last three financial years. It has produced consistent revenues and profit before tax reaching £38.3 million and £8.4 million respectively in the year ended 31 January 2015. The loan book at that date was £34.6 million and net assets of £49.4 million, which included a £16.3 million inter-company receivable balance.

A summary of the results for Loansathome4u for the 3 years ended 31 January 2015, extracted without material adjustment from Part 3 (Financial Information on Loansathome4u) of this Circular is set out below:

	31 January 2013 £m	31 January 2014 £m	31 January 2015 £m
Revenue	34.1	34.6	38.3
Profit before tax	7.9	7.8	8.4

### Reasons for the Proposed Disposal

In recent years, Loansathome4u has produced an increasingly smaller proportion of Group earnings. In the year ended 31 January 2015, Loansathome4u represented approximately 36.2 per cent. of the Group's profits before tax.

Whilst results have been consistent, there has been limited growth in home credit loan receivables in the past three years. Despite the recruitment of an estimated 5,000 new customers last year, overall customer numbers have not risen over the last three years. Whilst the estimated potential home credit market in the UK is around 3 million people, only 1.5 million to 2 million are active at any time. Further, while home credit remains a staple component of the cash flow management of individuals in its socio-economic market, it has not proved a growing one with the past three financial years achieving little growth in individual customer receivables.

In common with much of the financial services sector, home credit has been a focus in recent years of some regulatory scrutiny. The Competition Commission Inquiry into the home credit sector in 2006 and the more recent High Cost Credit Review are examples of this. Both inquiries recognised the considerable merits of the home credit sector in providing a convenient, forgiving and flexible service for its customers. Nonetheless, the Directors believe that the introduction from 1 April 2014 of a rules based regulatory regime overseen by the Financial Conduct Authority (FCA) may lead to greater costs for the industry resulting in consolidation and a reduction in the number of smaller participants. The Directors believe that further evidence of the increasing regulatory pressures is evidenced by the reduction of home credit lenders from membership of the Consumer Credit Association in the period following the introduction of the regime. However, given the relatively small size of these home credit competitors, the Board has concluded that S & U is unlikely to benefit significantly from acting as a consolidator in the home credit market.

Your Board has therefore concluded that the sale of Loansathome4u will allow the Group to devote additional resources to Advantage Motor Finance and Advantage SME vehicle lending product and enable it to develop other higher growth areas of specialist finance.

## **Current Trading**

In the Interim Management Statement issued on 21 May 2015, the Chairman reported to shareholders as follows:

“Group trading continues to be satisfactory. Advantage, our motor finance business, maintains record debt quality and anticipates meeting transaction targets this year. Whilst sales in our home credit business have reflected a more cautious climate prior to the General Election and full Financial Conduct Authority ('FCA') authorisation, weekly collections remain strong on conservative underwriting standards.

Cash generation remains good in both businesses and overall Group profitability is comfortably ahead of last year.

Since the general election, debt quality remains good and home credit sales have seen a slight recovery but remain down against a record comparable period last year, albeit in line with the pattern of the last five years. However, Advantage continues to trade in line with the Board's expectations.

## **Terms of the Proposed Disposal**

Immediately prior to the completion of the Proposed Disposal, the trade and assets of the home credit business held in S & U will be hived down into SD Taylor Limited ("Hive Down"). The Purchaser will then acquire the entire share capital of SD Taylor Limited including the assets of the Loansathome4u division of S & U. All Loansathome4u employees and representatives will transfer to the Purchaser, together with all freehold properties (save for two excluded properties), leasehold interests in property, motor vehicles and all fixtures and fittings of the branches. Most employees at S & U's office in Solihull, with the exception of an executive core and their supporting staff, will transfer to the Purchaser under the protection of TUPE.

The Share Purchase Agreement is conditional, upon the approval of the Resolution by the shareholders and completion of the Hive Down. The Share Purchase Agreement contains certain warranties, of which the aggregate liability to NSF, other than in respect of the Title Warranties, is capped at £30 million. NSF shall be entitled to terminate the Share Purchase Agreement if, amongst others, a material adverse change takes place prior to Completion or the Company fails to provide, to the extent it is reasonably able to, information which NSF requires for Readmission.

Completion of the Share Purchase Agreement will be considered a 'reverse takeover' for NSF under the Listing Rules. As a result and as mentioned above, NSF, which is admitted to the standard segment of the Official List and the main market of the London Stock Exchange, will, therefore, be required to apply for Readmission via the publication of a prospectus pursuant to section 85(1) of FSMA.

Further details of the Share Purchase Agreement are set out in Part 5 of this Circular.

## **Financial and Other Effects of the Proposed Disposal**

Completion of the Proposed Disposal is expected to, subject to the passing of the Resolution and the Hive Down taking effect, take place on 4 August 2015. After tax and professional fees, the sale of Loansathome4u is expected to generate around £80 million of cash which will initially reduce indebtedness but thereafter will be invested in the business or distributed to shareholders. The profit on sale of the business will increase the net assets of the Group by approximately £47 million, and based on the pro forma information in Part 4, create a positive net cash balance of £26.4 million. Inevitably the initial impact on profits will be to dilute underlying earnings per share in the second half of the current financial year ending 31 January 2016, since savings on indebtedness repaid and income from the net proceeds is less than the expected profit contribution from Loansathome4u in the second half of the financial year. Further, some head office overhead after crediting interest, estimated at £1.95 million per annum and previously funded by Loansathome4u, will now fall on the Retained Group.

In the short term, proceeds not already allocated in Advantage or new business areas, as further described below, will be placed on deposit or to purchase relatively higher yielding Government securities. The Group currently has revolving credit facilities of £40 million and term loan facilities of £30 million with M&G.

These banking partners have been consulted regarding the Proposed Disposal and have all signed letters of consent to the maintenance of their facilities. The Board regards the maintenance of this headroom, at attractive terms, as an important factor in its expansion plans.

Finally, as recently mentioned in the Annual Report and Accounts for the year ended 31 January 2015, the Group has, over the past 18 months, been pursuing a Bank Deposit Taking Application with the PRA and FCA with a view to further diversifying the Group's funding mix. Such an application had been scheduled to be made during H1 2015, but owing to the anticipated receipt of net proceeds from the Proposed Disposal and the additional funding that the Proposed Disposal should now provide, such an application has been postponed. However, in the longer term, it is still your Board's intention that this application should be resumed in the future, so as to enable both the diversity and scale of funding anticipated for the Group's growth.

On Completion, Mike Thompson (Managing Director of SD Taylor Limited) and Mike Mullins (Managing Director of Home Credit) will be stepping down from the Board and will leave the Company. I would like to extend my deep appreciation to both Mike Thompson and Mike Mullins for their valuable contributions to the Board over several years. I wish them both well in their future endeavours.

## **Use of Proceeds**

### **1. Future Development of the Group**

The Board believes that a large element of the proceeds can be applied in the existing Advantage business and to grow new business streams.

#### *Accelerated Growth at Advantage*

Advantage currently has over 26,000 customers and last year concluded around 12,000 new loan transactions an uplift of 41 per cent. over the previous year. The used car market in the UK comprises around 7 million transactions each year of which only one million are sold with finance on the car. The potential market is therefore very substantial and growing. The Directors are confident these factors will enable the rate of expansion of Advantage, which has seen revenue grow at a compound annual growth rate of 26.6% over the three financial years between 31 January 2013 and 2015, to be maintained or accelerated.

As a consequence, the past three years has seen S & U invest over £40 million in the development of Advantage. The Directors believe that current budgets will require approximately a further £34 million investment in the next 18 months, to be funded from the net proceeds. Advantage continues to develop its under-writing standards and its predictive abilities which allow it to attract customers with good margins and to extend its reach up-market to customers who may have been rejected by the banks, usually on technical grounds.

As a result of the current recovery in consumer confidence and opportunities available to Advantage, the Board expects current record levels of debt quality and financial repayments should persist providing a very strong platform for future growth.

#### *Advantage SME Vehicle Lending*

Advantage's expertise in retail motor finance already has allowed it to access related commercial vehicle lending, particularly to those of its customers who are self-employed. We expect to develop the business into broader small scale business lending. The Directors expect that loans of an average of £12,000 will be provided, secured on the assets they finance and other forms of security, and, as such, they intend to allocate up to £13 million over the next 18 months from the net proceeds to fund these endeavours.

#### *New Business Areas*

Although no specific funding has been earmarked, the Board is exploring areas of personal finance, initially in partnerships with well-established market participants. Provided these areas can demonstrate reliable, sustainable and high quality margins to maintain existing levels of return on capital employed, they will be carefully explored.

### **2. Return of Capital to Shareholders and Dividend Policy**

Whilst the Board remains confident of continuing the growth in earnings per share which has seen the value of S & U rise substantially over the past 10 years, it is mindful of both the need to operate an efficient and appropriately capitalised balance sheet and to reward shareholders reflecting not only our trading success but also the increase in the Group's net asset value resulting from the Proposed Disposal.

In respect of the year ended 31 January 2015, our three dividend payments will total 66p per share; as announced on 24 March 2015 and approved at the AGM held on 21 May 2015, the final dividend of 30p per share will be paid on 10 July 2015 to ordinary shareholders on the register at 19 June 2015. Since 2010, S & U's earning per share have increased from 55.2p to 156p. Dividend per share has risen from 34p to 66p and consequently dividend cover has increased from 1.62 to 2.36 times. Over time it is our intention that dividends should be covered twice by earnings.

On receipt of the net proceeds from the Proposed Disposal, the Board will continue to assess reinvestment options and review the Company's capital structure. Following this it would also be our intention to make a significant return of capital to shareholders; the form of this distribution will be agreed after discussion with the Company's Shareholders. The Board will monitor the capital requirements of the Group based on experience in expanding the business streams noted above. This could result in further distributions.

## **Risk factors**

Shareholders should consider fully and carefully the risk factors associated with the Proposed Disposal and the operations of the Retained Group and the sector in which the Retained Group operates. Your attention is drawn to the "Risk Factors" set out in Part 2 of this Circular.

## **General Meeting**

In view of the size of the Proposed Disposal and in accordance with Listing Rule 10.5, Shareholders' approval is required in order for the Proposed Disposal to proceed. Notice of the General Meeting of the Company to be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL at 11.00 a.m. on 3 August 2015 is set out at the end of this Circular, at which the Resolution will be proposed.

## **Further Information**

Your attention is drawn to the further information contained in Parts 3 to 6 of this Circular before deciding what action to take in respect of the General Meeting.

You are advised to read the whole of this document and not to rely solely on the information contained within this letter.

## **Action to be taken**

Shareholders who receive a hard copy of this Circular will find enclosed a Form of Proxy for use at the General Meeting. Alternatively, Shareholders may lodge their proxy electronically at [www.capitashareportal.com](http://www.capitashareportal.com) or download further copies of the Form of Proxy from the Company's website [www.suplc.co.uk](http://www.suplc.co.uk). Whether or not Shareholders intend to be present at the meeting, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon so that it arrives at Capita Asset Services as soon as possible and, in any event, so as to be received by hand (during normal business hours only) or by post or, as the case may be, electronically by not later than 11.00 a.m. on 1 August 2015. Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

## **Irrevocable Undertakings**

Certain Directors and Shareholders who collectively own, directly or indirectly, 6,171,844 Ordinary Shares (as further detailed in paragraph 3.3 of Part 6 of this Circular) representing approximately 51.94 per cent. of the existing issued ordinary share capital of the Company as at 8 July 2015 (being the latest practicable date prior to publication of this Circular) have irrevocably undertaken to vote in favour of the Resolution at the General Meeting.

## **Recommendation**

Your Board considers that the Proposed Disposal is in the best interests of Shareholders as a whole and unanimously recommends that Shareholders vote in favour of the Resolution at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings totalling 3,134,929 Ordinary Shares representing 26.39 per cent. of the existing issued ordinary share capital as at 8 July 2015 (being the latest practicable date prior to publication of this Circular).

Yours faithfully,

Anthony Coombs  
(Chairman)

## PART 2

### RISK FACTORS

Shareholders should carefully consider the risks set forth below and all of the information set forth in this Circular. The risks described below could have a material adverse effect on the Group and/or the Retained Group's business, financial condition, results of operations, future prospects and the price of the Ordinary Shares and it is possible that investors could lose all or part of their investment. In addition, the risks below are not the only risks to which the Company may be subject. The Company may be unaware of certain risks or believe certain risks to be immaterial which could later prove to be material. References to the Retained Group below also refer to the Group.

#### 1. TRANSACTION RISKS

##### ***Satisfaction of condition precedent to completion***

The Proposed Disposal remains subject to Shareholders' approval at the General Meeting and the Hive Down becoming effective. If Shareholders do not approve the Proposed Disposal and/or the Hive Down is not undertaken, the Proposed Disposal will not complete.

The Board is of the opinion that the Proposed Disposal is in the best interests of the Shareholders as a whole and the Directors believe that the Proposed Disposal provides the best opportunity to realise value from the Group's businesses. Accordingly, if the Proposed Disposal does not complete, the Company's ability to realise this value in the short term may be prejudiced.

##### ***Warranties and indemnities in the Share Purchase Agreement***

The Share Purchase Agreement contains certain warranties relating to, amongst other things: organisation of the Group, title, accounting and financial matters, material contracts, litigation and compliance with laws and certain regulatory indemnities. The extent to which the Retained Group will be required in the future to incur costs under any of these warranties and indemnities is not predictable (save that the Company's aggregate liability in respect of all claims under the Share Purchase Agreement, other than Title Warranties, shall not exceed an amount equal to £30 million) and, if the Retained Group should incur such costs, these costs could have an adverse effect on its financial condition. Further details of the Share Purchase Agreement are set out in Part 5 of this Circular.

##### ***The Retained Group's operations will be smaller and less diversified***

Following completion of the Proposed Disposal the Retained Group will be smaller and its overall financial performance will depend on the performance of the Advantage division.

For the year ended 31 January 2015, Loansathome4u contributed revenue of £38.3 million and profit before tax of £8.4 million which represented 51.4 per cent. and 36.2 per cent. of Group revenue and profit before tax respectively.

Should Advantage underperform, this would have a larger relative impact on the Retained Group than would have been the case prior to the completion of the Proposed Disposal and may materially adversely affect the Retained Group's business, financial condition, results of operations and prospects.

##### ***Third Party Interference with the Proposed Disposal***

As a listed company, the Company is exposed to approaches from third parties seeking to instigate a public takeover which might delay or prevent execution of the Proposed Disposal. The Company might also be approached by a third party seeking to make a more favourable offer than that of NSF for Loansathome4u and the Directors might consequently be required (in accordance with their fiduciary duties and subject to the terms of the Share Purchase Agreement) to withdraw their recommendation of the Resolution and the Proposed Disposal.

##### ***Advantage Regulatory Risk***

In much the same way that home collected credit businesses have now fallen under the auspices of the FCA, as discussed in Part 1 of this Circular, the FCA will also become the regulatory body overseeing all motor finance businesses. As such, and in common with other motor finance companies, Advantage will have to submit an application for FCA full permission between December 2015 and February 2016. In the event that Advantage was unsuccessful in obtaining FCA approval to continue trading as a motor finance business, this would have a significantly material impact on the Retained Group and will materially adversely affect the Retained Group's business, financial condition, results of operations and prospects.

## PART 3

### HISTORICAL FINANCIAL INFORMATION ON LOANSATHOME4U

The following historical financial information relating to Loansathome4u has been extracted from the Group's accounting record for the years ended 31 January 2013, 2014 and 2015. The historical record for the three years has been compiled from the business and assets in the holding company, S & U, and its subsidiary SD Taylor Limited in the same manner that the segmental information on Loansathome4u is prepared for the audited accounts of the Group, except that certain allocations have been made to central costs in the period ending 31 January 2013, 2014 and 2015. The basis for any allocations made are explained in the notes to the tables, and the Directors are satisfied that the allocations provide a reasonable basis for the presentation of the historical financial information of Loansathome4u to enable shareholders to make a fully informed voting decision.

The financial information in this Part 3 (*Financial Information on Loansathome4u*) does not constitute statutory accounts within the meaning of section 434 of the 2006 Act. The consolidated statutory accounts for the Group in respect of the financial years ended 31 January 2013, 2014 and 2015 have been delivered to the Registrar of Companies. The auditor's reports in respect of those statutory accounts were unqualified and did not contain statements under section 498 (2) or (3) of the 2006 Act.

The financial information in this Part 3 (*Financial Information on Loansathome4u*) has been prepared using the IFRS accounting policies used to prepare the consolidated financial statements of the Group for each of the years ended 31 January 2013, 2014 and 2015.

	31 Jan-13 £'000	31 Jan-14 £'000	31 Jan-15 £'000
<b>Income Statement</b>			
Revenue <b>(Note 1)</b>	34,087	34,597	38,298
Cost of Sales	(9,509)	(9,797)	(10,996)
Gross Profit	24,578	24,800	27,302
Administrative Expenses	(16,669)	(17,037)	(18,893)
Operating Profit	7,909	7,763	8,409
Finance Income	-	-	-
Profit before taxation <b>(Note 2)</b>	7,909	7,763	8,409
Taxation	(1,882)	(1,791)	(1,789)
Profit for the year attributable to equity holders	6,027	5,972	6,620

**Note 1:** Reconciliation to S & U consumer credit segment audited result – Revenue.

	31 Jan-13 £'000	31 Jan-14 £'000	31 Jan-15 £'000
Revenue	34,087	34,597	38,298
Other consumer credit revenue (see below)	102	79	0
Revenue as per note 2 of respective annual reports	34,189	34,676	38,298

Other consumer credit revenue in January 2013 and January 2014 relates to revenue from Communitas Finance Limited, a pilot second mortgage business started in 2005 and which was made dormant in January 2014.

**Note 2:** Reconciliation to S & U consumer credit segment audited result – Profit before taxation.

	31 Jan-13 £'000	31 Jan-14 £'000	31 Jan-15 £'000
Profit before taxation	7,909	7,763	8,409
Central costs (net of finance credit)	(1,760)	(1,946)	(1,950)
Other consumer credit profit	1	1	-
Profit before tax as per note 2 of respective annual reports	6,150	5,818	6,459

Central costs represent the head office costs of S & U which will stay with the Group post disposal.

	31 Jan-13 £'000	31 Jan-14 £'000	31 Jan-15 £'000
<b>Balance Sheet</b>			
<b>Non current assets</b>			
Property Plant and Equipment	1,357	1,412	1,438
Investments	0	0	0
Amounts receivable from customers	246	234	185
Retirement Benefit Asset	0	0	0
Deferred Tax Assets	0	0	0
	<b>1,603</b>	<b>1,646</b>	<b>1,623</b>
<b>Current assets</b>			
Inventory	115	136	59
Amounts receivable from customers	33,249	33,808	34,437
Trade and Other Receivables	167	259	230
Inter-company receivable	13,172	14,309	16,284
	<b>46,703</b>	<b>48,512</b>	<b>51,010</b>
<b>Total assets</b>	<b>48,306</b>	<b>50,158</b>	<b>52,633</b>
<b>Current liabilities</b>			
Trade and other payables	(1,030)	(1,234)	(1,383)
Current tax liabilities	(1,047)	(1,144)	(1,097)
Accruals and deferred income	(264)	(521)	(608)
	<b>(2,341)</b>	<b>(2,899)</b>	<b>(3,088)</b>
<b>Non current liabilities</b>			
Deferred tax liabilities	(103)	(134)	(126)
	<b>(103)</b>	<b>(134)</b>	<b>(126)</b>
<b>Total liabilities</b>	<b>(2,444)</b>	<b>(3,033)</b>	<b>(3,214)</b>
<b>NET ASSETS</b>	<b>45,862</b>	<b>47,125</b>	<b>49,419</b>

Note: the inter-company receivable shown represents cash lent to the holding company. As part of the Proposed Disposal the receivable will remain with S & U.

**PART 4**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma statement of net assets (the “Pro forma financial information”) have been prepared to show the effect on the consolidated net assets of the Retained Group of the sale of Loansathome4u as if it had occurred on 31 January 2015.

The unaudited pro forma financial information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation, and should be read in conjunction with the notes set out below. Due to its nature, the Pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Retained Group’s actual financial position or results.

The pro forma financial information set out below is compiled on the basis set out in the notes below, and is based on the audited consolidated balance sheet of the Group as at 31 January 2015 (as set out in Part 3 of this Circular) and the financial information of Loansathome4u as contained in Part 3 of this Circular, and is presented in accordance with the Company’s accounting policies set out in the Report and Accounts referred to in Part 7 of this Circular.

**Unaudited pro forma consolidated balance sheet of the Retained Group**

	Consolidated Net Assets 31-Jan-15 £'000 Note 1	Net Assets of Loansat home4u £'000 Note 2	Eliminate inter- company receivable £'000 Note 3	Receipt of disposal proceeds £'000 Note 4	Taxation adjustments £'000 Note 5	Unaudited Pro forma Consolidated Net Assets £'000
<b>Non current assets</b>						
Property, plant and equipment	2,406	(1,438)				968
Investments						
Amounts receivable from customers	74,070	(185)				73,885
Retirement benefit asset	20					20
Deferred tax assets	285				126	411
	76,781	(1,623)			126	75,284
<b>Current assets</b>						
Inventories	59	(59)				-
Amounts receivable from customers	66,939	(34,437)				32,502
Trade and other receivables	645	(230)				415
Cash and cash equivalents	935	(16,284)	16,284	80,000		80,935
	68,578	(51,010)	16,284	80,000		113,852
<b>Total assets</b>	<b>145,359</b>	<b>(52,633)</b>	<b>16,284</b>	<b>80,000</b>	<b>126</b>	<b>189,136</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdrafts and Loans	-	-				-
Trade and other payables	(2,684)	1,383				(1,301)
Current tax liabilities	(3,303)	1,097				(2,206)
Accruals and deferred income	(2,958)	608				(2,350)
	(8,945)	3,088				(5,857)
<b>Non current liabilities</b>						
Bank loans	(54,500)					(54,500)
Financial liabilities	(450)					(450)
Deferred tax liabilities	-	126			(126)	-
	(54,950)	126			(126)	(54,950)
<b>Total liabilities</b>	<b>(63,895)</b>	<b>3,214</b>			<b>(126)</b>	<b>(60,807)</b>
<b>NET ASSETS</b>	<b>81,464</b>	<b>(49,419)</b>	<b>16,284</b>	<b>80,000</b>	<b>-</b>	<b>128,329</b>

Note 1. The financial information in respect of the Group has been extracted, without material adjustment, from the published audited consolidated balance sheet of the Group as at 31 January 2015.

Note 2. The net assets of Loansathome4u have been extracted without material adjustment from the financial information for the Loansathome4u set out in Part 3 (Historical Financial Information on Loansathome4u) of this Circular.

Note 3. The business of Loansathome4u is being sold net of cash, borrowings or inter-company receivables and

so the adjustment of £16.3 million to net assets reflects the inter-company receivables not being sold.

- Note 4. The gross consideration for the disposal is £82.5 million. Total net proceeds are expected to be £80 million after recognising £2 million of transaction fees, and £0.5 million of tax and normalised working capital and other adjustments.
- Note 5. Prior to the sale of Loansathome4u, Deferred tax assets of £285,000 held by the Retained Group as at 31 January 2015 are net of a Deferred tax liability of £126,000 held by SD Taylor Limited. On elimination of the net assets of Loansathome4u as described in note 2, a further presentational adjustment is required to ensure that the Deferred tax liability is adjusted against Deferred tax assets, rather than being presented as a debit balance within Deferred tax liabilities. This adjustment has no effect on the net assets of the Retained Group.
- Note 6. Other than as described above, no adjustment has been made to the unaudited pro forma financial information to reflect trading or cash flows of S & U or Loansathome4u subsequent to 31 January 2015.
- Note 7. To provide an illustration of the liquidity of the Retained Group on a Pro Forma basis, the cash and cash equivalents of £80.9 million less Bank loans shown above of £54.5 million produces a net cash balance of £26.4 million.

The Board of Directors  
on behalf of S & U

Royal House  
Prince's Gate  
Solihull  
West Midlands  
B91 3QQ

Arden Partners Plc  
Arden House  
17 Highfield Road  
Birmingham  
B15 3DU

9 July 2015

Dear Sirs,

**S & U plc (the “Company”)**

We report on the pro forma financial information (the “Pro forma financial information”) set out in Part 4 of the Class 1 circular dated 9 July 2015 (the “Investment Circular”), which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 January 2015. This report is required by the Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to Ordinary shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP  
Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## **PART 5**

### **PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT**

#### **Introduction**

On 7 July 2015, the Share Purchase Agreement was entered into between the Company and NSF to give effect to the Proposed Disposal. Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to transfer the entire issued share capital of SD Taylor Limited to NSF.

#### **Condition Precedent**

The transfer of the entire issued share capital of SD Taylor Limited under the Share Purchase Agreement is conditional upon the approval of the Resolution by the Shareholders and completion of the Hive Down (as further detailed in Part 1 of this Circular).

If Completion has not occurred by 30 September 2015 or such later date as may be determined by NSF (being not later than 31 December 2015), the Share Purchase Agreement will terminate and cease to have effect.

#### **Consideration**

The Purchaser has agreed to pay £82.5 million in cash consideration at Completion on a cash free, debt free basis. In accordance with the terms of the Share Purchase Agreement, the Consideration is subject to potential customary post-completion adjustments including a pound for pound reduction to the purchase price to the extent that the gross value of the Loansathome4u loan book is less at Completion than it was on 1 July 2015.

#### **Structure of Transaction**

Prior to the Share Purchase Agreement being effected, the Company will hive down the Loansathome4u division assets from S & U to SD Taylor Limited, following which S & U it will sell the entire issued share capital of SD Taylor Limited.

#### **Warranties and Indemnities**

The Share Purchase Agreement contains a set of warranties given by the Company which are customary for a transaction of this nature. The warranties relate to, amongst other things: organisation of the Group, title, accounting and financial matters, material contracts, litigation and compliance with laws. The indemnities relate to potential breaches of regulation prior to Completion.

The Company's liability under the warranties, other than in respect of the Title Warranties, is subject to certain thresholds and limitations. The aggregate liability of the Company in respect of all claims under the Share Purchase Agreement, other than in respect of the Title Warranties, shall not exceed an amount equal to £30 million.

#### **Termination**

The Share Purchase Agreement may be terminated by NSF if (i) a material adverse change takes place on or following the date of the Share Purchase Agreement and prior to Completion; (ii) any warranty given on the date of the Share Purchase Agreement would be materially inaccurate or misleading if it were repeated on Completion; (iii) the Company materially breaches certain pre-Completion covenants or (iv) the Company fails to provide, to the extent it is reasonably able to, information relating to SD Taylor Limited as NSF may reasonably require in connection with the Readmission.

#### **Pre-Completion Covenants**

Upon the execution of the Share Purchase Agreement until Completion, the Company shall, as far as it is reasonably able, procure that each Group Company operates its business and activities in its usual course and complies with certain enumerated undertakings.

#### **Post-Completion Covenants**

The Share Purchase Agreement contains certain undertakings given by the Company and NSF which are customary for a transaction of this nature including an undertaking given by the Company not to compete in the business of the type carried out by Loansathome4u nor to solicit any customer, of SD Taylor Limited or any member of the Retained Group included in the operation of Loansathome4u within the UK during the years prior to Completion for a period of two years following Completion.

#### **Governing Law**

The Share Purchase Agreement is governed by English law.

## PART 6

### ADDITIONAL INFORMATION

#### **1. Responsibility**

The Company and the Directors, whose names appear on page 5 of this Circular, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **2. Registered Office**

- 2.1 The Company was incorporated and registered in England on 1 July 1938 under the name S & U Limited with registered number 00342025. On 1 July 1944, the Company changed its name to S & U Warehouses Limited. On 18 November 1957, the Company changed its name to S & U Stores Limited. On 30 March 1982, the Company re-registered as a public limited company with the name S & U Stores plc. On 15 June 1992 the Company changed its name to S & U.
- 2.2 The Company's legal and commercial name is S & U.
- 2.3 The registered and head office of the Company is at Royal House, Prince's Gate, Homer Road, Solihull B91 3QQ and its telephone number is 0121 705 7777.
- 2.4 The principal legislation under which the Company operates is the 2006 Act.

#### **3. Material Contracts**

##### **3.1 Share Purchase Agreement**

The Share Purchase Agreement, the principal terms of which are set out in Part 5 of this Circular.

##### **3.2 Facilities**

S & U has entered into four facility agreements, summary terms of which are set out below.

Governed by English law, each of the facilities have been made available to the Company for the purposes of refinancing existing financial indebtedness of the Group, financing certain permitted acquisitions and for the general corporate and working capital purposes of the Group. The facilities may not be used in connection with the funding of any hostile bid to acquire shares in any company or corporation without the prior consent of the relevant lender.

<b>Lender</b>	<b>Facility description</b>	<b>Date of facility agreement</b>	<b>Availability period</b>	<b>Termination/Repayment date</b>
HSBC Bank plc	£18 million revolving credit facility	25 July 2011	From the date of this Agreement up to and including 31 March 2016	18 March 2018
HSBC Bank plc	£7 million revolving credit facility	11 March 2013	From the date of the agreement up to and including 28 February 2018	18 March 2018
M&G UK Companies Financing Fund II LP acting by its general partner M&G UKCF IIGP	£30 million term loan facilities: Facility A—£15 million Facility B—£15 million	17 April 2014	Facility A—from the date of the agreement up to the date 12 business days after the date of the agreement Facility B—from the date of the agreement up to and including 31 October 2014	Facility A—7 years from date of utilisation (approximately 7 years from the date of the agreement) Facility B—7 years 6 months from the date of utilisation (approximately 8 years from the date of the agreement)
AIB Group (UK) plc	£15 million revolving credit facility	30 October 2013	From the date of the agreement up to and including 28 February 2018	18 March 2018

### 3.3 Irrevocable Undertakings

The Company has received irrevocable undertakings from the following Directors and Shareholders to vote in favour of the Resolution to be proposed at the General Meeting and who collectively own, directly or indirectly, 6,171,844 Ordinary Shares representing approximately 51.94 per cent. of the existing issued ordinary share capital of the Company as at 8 July 2015 (being the latest practicable date prior to the publication of this Circular):

Date of undertaking	Name	Director/Shareholder	Number of Ordinary Shares	Percentage of issued ordinary share capital
25 June 2015	Anthony Coombs	Executive Director	962,360	8.10%
25 June 2015	Graham Coombs	Executive Director	1,430,207*	12.04%
6 July 2015	Chris Redford	Executive Director	6,095	0.05%
25 June 2015	Fiann Coombs	Non-Executive Director	233,334**	1.96%
30 June 2015	Demetrios Markou	Non-Executive Director	4,500	0.04%
29 June 2015	Keith Smith	Non-Executive Director	26,600	0.22%
25 June 2015	Andrea Coombs	Shareholder	179,000	1.51%
26 June 2015	Alexander Coombs	Shareholder	192,667	1.62%
30 June 2014	Celia Coombs	Shareholder	100,001	0.84%
6 July 2015	Charlotte Coombs	Shareholder	100,000	0.84%
25 June 2015	Jack Coombs	Shareholder	283,334	2.38%
25 June 2015	Jennifer Coombs	Shareholder	2,355,698	19.83%
25 June 2014	Grevayne Properties Limited	Shareholder	298,048	2.51%

\* which includes 100,000 Ordinary Shares beneficially owned by Graham Coombs' minor

\*\* which includes 200,000 Ordinary Shares held in a trust of which Fiann Coombs is the sole beneficiary

The irrevocable undertakings contain certain customary acknowledgments and undertakings and are governed by English law.

### 4. Legal and Arbitration Proceedings

- 4.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had during the 12 months preceding the date of this Circular a significant effect on the Retained Group's financial position or profitability.
- 4.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Loansathome4u and the Company is aware) which may have or have had during the 12 months preceding the date of this Circular a significant effect on Loansathome4u's financial position or profitability.

### 5. Working Capital

The Company is of the opinion that (taking into account the net proceeds from the Proposed Disposal) the Retained Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

### 6. Significant Change

- 6.1 There has been no significant change in the financial or trading position of the Retained Group since 31 January 2015, the date to which the last audited financial statements of the Company were prepared.
- 6.2 There has been no significant change in the financial or trading position of Loansathome4u since 31 January 2015, the date to which the last audited financial statements of the Company were prepared.

## 7. Directors' Service Contracts and Letters of Appointment

The Company has entered into the following contracts or, as appropriate, letters of appointment with its Directors.

The Company follows best practice under the Corporate Governance Code with regard to annual re-election of all of its Directors.

### 7.1 Service Contracts of the Executive Directors

Summary details of the Executive Directors' service contracts and benefit package can be found on pages 20 to 26 of the Company's 2015 Annual Report and Accounts in the section headed "Directors' Remuneration Report" and are incorporated herein by reference. There have been no changes to the terms of these agreements since the publication of the Company's 2015 Annual Report and Accounts.

The Executive Directors have entered into service contracts with the Company. Details of these service contracts are set out below. The various service agreements have different notice periods but none of which are more than 12 months.

Name	Date of service contract	Commencement date in office	Basic annual salary for the financial year ending 31 January 2016 £'000	Annual bonus for the financial year ended 31 January 2015 £'000
Anthony Coombs	26 May 1999	1 January 1975	333	50
Graham Coombs	26 May 1999	1 January 1976	306.5	50
Chris Redford	29 April 2004	1 March 2004	200	60
Guy Thompson	29 May 1999	23 April 2005	300	75
Mike Mullins	26 July 2000	5 September 2008	175	30
Mike Thompson	6 January 1994	23 March 2011	160	10

In recognition of the time and commitment spent supporting the Proposed Disposal and subject to Completion becoming effective, the Remuneration Committee has relied on the flexibility afforded to it in the Company's approved remuneration policy to award transaction bonuses to certain executive directors of the following amounts: Chris Redford, £100,000 plus options over 10,000 shares from the LTIP plan split evenly as 5,000 exercisable 3 years from the time of grant, the earliest being the third anniversary of Completion, and 5,000 exercisable 4 years from the time of grant, the earliest being the fourth anniversary of Completion; Mike Mullins £75,000; and Mike Thompson £67,000.

There is no provision for payment of predetermined compensation in case of wrongful termination by the Company and the duty to mitigate loss applies.

### 7.2 Letters of Appointment of the Non-Executive Directors

The Non-Executive Directors have entered into letters of appointment with the Company. Details of these letters are set out below.

Name	Date of current appointment	Date of first appointment	Annual fee for the financial year ending 31 January 2016 £'000
Keith Smith	21 May 2015	22 April 1999	33
Demetrios Markou	21 May 2015	22 April 1999	30
Fiann Coombs	21 May 2015	19 February 2002	30
Graham Pedersen	21 May 2015	18 February 2015	30

The Non-Executive Directors are generally appointed for fixed terms of three years renewable for further terms of one to three years, if both parties agree.

No arrangements have been entered into by the Company entitling the Non-Executive Directors to compensation for loss of office nor have any amounts been set aside to provide pension, retirement or similar benefits. It is not the Remuneration Committee's intention to introduce such provisions. If any appointment letter is breached by the Company in the event of termination, the Company be liable to pay damages to the director for the unexpired notice period.

Save as disclosed above, there are no existing or proposed service contracts or letters of appointment between any Director and any member of the Group providing for benefits upon termination of employment.

## 8. Directors' Interest in Shares

8.1 As at 8 July 2015 (being the latest practicable date prior to publication of this Circular), the Directors had the following interests in the share capital of the Company:

Name	Number of Ordinary Shares	Percentage of issued ordinary share capital
Anthony Coombs*	1,334,027	11.23%
Graham Coombs*	1,530,207	12.88%
Chris Redford	6,095	0.05%
Guy Thompson	-	-
Mike Mullins	-	-
Mike Thompson	-	-
Keith Smith	26,600	0.22%
Demetrios Markou	4,500	0.04%
Fiann Coombs	233,500**	1.95%
Graham Pedersen	-	-

\*Anthony Coombs and Graham Coombs are also directors of Grevayne Properties Limited which holds 298,048 Ordinary Shares (2.51%) of the issued ordinary share capital.

\*\*which includes 200,000 Ordinary Shares held in a trust of which Fiann Coombs is the sole beneficiary.

8.2 As at 8 July 2015 (being the latest practicable date prior to publication of this Circular), the Directors had the following outstanding options over Ordinary Shares granted to them:

Name	Plan	Number of Shares under option	Option price	Exercisable date
Anthony Coombs	LTIP	5,000	12.5p	4 May 2015
Chris Redford*	LTIP	6,000	12.5p	2 May 2016
	LTIP	7,000	12.5p	21 June 2016
	LTIP	5,000	12.5p	27 September 2016
	LTIP	2,000	12.5p	20 May 2017
	LTIP	2,000	12.5p	1 May 2018
	DSOP	1,500	£11.60	2 May 2016
	DSOP	600	£18.92	20 May 2017
Graham Coombs	LTIP	10,000	12.5p	24 May 2013
	LTIP	10,000	12.5p	27 May 2014
	LTIP	5,000	12.5p	4 May 2015
Mike Mullins	LTIP	2,000	12.5p	on Completion
	LTIP	2,000	12.5p	on Completion
	DSOP	1,450	£18.92	on Completion
Mike Thompson	LTIP	2,000	12.5p	on Completion

Guy Thompson	LTIP	7,500	12.5p	4 May 2015
	LTIP	25,000	12.5p	29 August 2018
	LTIP	65,000	12.5p	29 August 2018
	LTIP	2,500	12.5p	20 May 2017
	DSOP	3,000	£7.30	24 May 2015
	DSOP	450	£18.92	20 May 2017

\*As detailed in paragraph 7.1 above, subject to Completion, the Remuneration Committee has approved the issue of options over 10,000 shares to Chris Redford split evenly as 5,000 exercisable 3 years from the time of grant, the earliest being the third anniversary of Completion, and 5,000 exercisable 4 years from the time of grant, the earliest being the fourth anniversary of Completion; in recognition of the time and commitment he has spent supporting the Proposed Disposal.

8.3 Save as disclosed above, the Directors do not have any interest in the share capital of the Company.

## 9. Major Interests in Shares

Other than those interests set out in paragraph 8 above the following persons are interested in more than 3% of the issued ordinary share capital as at 8 July 2015 (being the latest practicable date prior to publication of this Circular):

Name	Number of Ordinary Shares	Percentage of issued ordinary share capital
The executors of the D M Coombs estate	3,039,032	25.6%
Wiseheights Limited	2,420,000	20.4%

## 10. Related Party Transactions

Save as disclosed in the notes to the 2015 Annual Report and Accounts, 2014 Annual Report and Accounts and 2013 Annual Report and Accounts, which are hereby incorporated by reference into this Circular, the Company has not entered into any related party transaction during the period covered by the historical financial information incorporated by reference up to the Date of this Circular.

## 11. Information incorporated by reference

The following documents (or parts of documents) are incorporated by reference in, and form part of, this Circular:

- (a) the Company's 2015 Annual Report and Accounts;
- (b) the Company's 2014 Annual Report and Accounts; and
- (c) the Company's 2013 Annual Report and Accounts.

Part 7 of this Circular sets out the location of references to the above documents within this Circular.

## 12. Consents

- 12.1 Arden has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.
- 12.2 Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

## 13. Documents Available for Inspection

Copies of the following documents will be available for physical inspection during normal business hours on any Business Day at the registered office of the Company and at DLA Piper UK LLP, Victoria Square House, Victoria Square, Birmingham B2 4DL from the date of this Circular up to and including the conclusion of the General Meeting:

- (a) the memorandum and articles of incorporation of the Company;
- (b) the Company's 2015 Annual Report and Accounts, the Company's 2014 Annual Report and Accounts and the Company's 2013 Annual Report and Accounts;
- (c) the written consent letters referred to in paragraph 12 above;
- (d) the Share Purchase Agreement; and
- (e) this Circular and the Form of Proxy.

## **PART 7**

### **DOCUMENTS INCORPORATED BY REFERENCE**

The Company's 2015 Annual Report and Accounts, the Company's 2014 Annual Report and Accounts and the Company's 2013 Annual Report and Accounts are available for inspection in accordance with paragraph 13 of Part 6 of this Circular and contain certain information which is relevant to this Circular. These documents are also available on the Company's website at [www.suplc.co.uk](http://www.suplc.co.uk)

The table below sets out the various sections of such documents which are incorporated by reference into this Circular so as to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company, is necessary to enable Shareholders and others to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Company. For the avoidance of any doubt, no information incorporated by reference in such documentation shall be incorporated by reference into this document.

Those parts of these documents that are not incorporated by reference are either not relevant for investors or covered elsewhere in this document. Any information not listed below, but included in the documents incorporated by reference, is given for information purposes only.

Reference Document	Information incorporated by reference	Document page reference	Page reference in this Circular
Company's 2015 Annual Report	1. Remuneration Report 2. Related Party Transactions	Pg. 16 – 29 Pg. 52	23 to 25
Company's 2014 Annual Report	1. Remuneration Report 2. Related Party Transactions	Pg. 14 – 30 Pg. 53	23 to 25
Company's 2013 Annual Report	1. Remuneration Report 2. Related Party Transactions	Pg. 10-14 Pg. 31	23 to 25

**S & U plc**  
**NOTICE OF GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a General Meeting of S & U (the "Company") will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on 3 August 2015 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

**ORDINARY RESOLUTION**

That the proposed disposal of Loansathome4u ("Disposal") substantially on the terms of the Share Purchase Agreement (as defined in the circular to shareholders dated 9 July 2015 which accompanies this Notice (the "Circular") be and is hereby approved and the Directors of the Company ("the Directors") (or a duly authorised committee of the Directors) be and are hereby authorised to (1) take all such steps as may be necessary or desirable in connection with, and to implement, the Disposal; and (2) to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Share Purchase Agreement (provided such modifications, variations, revisions, waivers or amendments are not material) and to any documents or arrangements relating thereto, in either case as they may in their absolute discretion think fit.

By order of the Board

Manjeet K Bhogal

Company Secretary

Dated: 9 July 2015

Registered Office

Royal House  
Prince's Gate  
Homer Road  
Solihull  
B91 3QQ

## Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only holders of ordinary shares registered in the Register of Members of the Company as at 6.00pm on 1 August 2015 or, in the event of any adjournment, at 6.00pm on the date which is two days before the day of the adjourned meeting, shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on 1 August 2015 shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
2. A member of the Company, who is entitled to attend and vote at the General Meeting convened by this Notice, may appoint one or more proxies to attend, speak and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company. More than one proxy may be appointed provided each proxy is appointed to exercise rights attached to different shares. More than one proxy may not be appointed to exercise rights attached to any one share. A form of proxy is enclosed. In order to be valid, an instrument appointing a proxy and any power of attorney under which it is executed (or a notarially certified copy thereof) must be deposited at Capita Asset Services, PXS, 34 Beckenham Road, Kent BR3 4TU, no later than 11.00 a.m. on 1 August 2015 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at [www.capitashareportal.com](http://www.capitashareportal.com). For an electronic proxy appointment to be valid, your appointment must be received by no later than 11.00 a.m. on 1 August 2015 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

The completion and return of a hard-copy or electronic form of proxy will not, however, preclude shareholders from attending and voting in person at the General Meeting should they so wish.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may have a right, under an agreement between him/her and the member by whom he/she was nominated, to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right, under such an agreement, to give instructions to the member as to the exercise of voting rights.

The statement of the above rights of the members in relation to the appointment of proxies does not apply to Nominated Persons. Those rights can only be exercised by members of the Company

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
6. Any member attending the General Meeting has a right to ask questions. The Company must answer any question asked relating to the business being dealt with unless (a) answering the question unduly interferes with the preparation of the General Meeting or involves the disclosure of confidential information, (b) the answer has already been provided on the website in the form of an answer to a question, or (c) undesirable in the Company's interests or good order of the General Meeting.
7. A copy of this Notice and other information regarding the General Meeting required by section 311A of the Companies Act 2006 is available on [www.suplc.co.uk](http://www.suplc.co.uk)
8. The Company's issued share capital comprised 11,879,925 ordinary shares on 8 July 2015 (being the latest practicable date prior to publication of this document). Each ordinary share carries the right to one vote at a general meeting of the Company. Therefore, the total number of voting rights in the Company as at that date are 11,879,925.
9. You may not use any electronic address provided either in this notice of General Meeting or any related documents to communicate with the Company for any purposes other than those expressly stated.