30 September 2020

S&U PLC

("S&U" or "the Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2020

Strength in Challenging Times

S&U, the specialist motor finance and bridging lender today announces its results for the six months ending 31 July 2020. These results were significantly affected by Covid-19 related forward-looking IFRS 9 impairment provisions, but both Advantage Finance Limited ("Advantage"), founded in July 1999 and Aspen Bridging Limited ("Aspen") founded in 2017 were profitable in the first half year. The Group has adapted well to the Covid-19 crisis and has the experience and operational capability to benefit from its aftermath. The current rebound in Group trading is encouraging, despite the challenging political, health and economic environment.

Financial Highlights

- Group revenue: £42.8m – reduced by 3% (Restated H1:2019: £44.2m*)
- Group period end net receivables: £281.9m – reduced by 6% (31 July 2019: £298.5m)
- IFRS 9 forward-looking loan loss provision charges increased by £13.8m to £21.7m (Restated H1:2019: £7.9m*)
- Profit before tax reflected this increased impairment and reduced to £6.3m (H1:2019: £17.1m)
- Earnings per share: 41.9p (H1:2019: 116.5p)
- Group funding and gearing correspondingly reduced: £108m borrowing at 31 July 2020 (31 July 2019: £125m) - gearing at 62% at 31 July 2020 (31 July 2019: 74%)
- Interim dividend: 22p per ordinary share (H1:2019: 34p)

* 2019 comparative revenue and cost of sales have been restated with no effect on profit – see note 1.3

Operational Highlights
Advantage Finance Limited

- Customer numbers stable at 63,500 (July 2019: 62,000) despite the lockdown period
- New loan volumes reduced by 35% in H1 overall due to lockdown –back up to 80% of budget since June
- Around 16,500 customers took payment holidays in H1 and currently under 6,500 customers are still on original or extended holiday – early repayments for post-holiday customers are promising
- Underwriting tightened early in lockdown and early repayments for recent new loans are above pre-Covid-19 levels
- Graham Wheeler appointed to the S&U Board strengthening the Group following his outstanding contribution as CEO of Advantage in unprecedented circumstances

Aspen Bridging Limited

- Half year profit of £118k (H1:2019: £502k)
- New loan volumes affected by lockdown and net receivables reduced by £2.5m to £18.5m at 31 July 2020 (31 Jan 2020: £21.0m)
- Market has improved in July and August with increases in both new loan volumes and repayments as demand improves and more transactions start to complete

Anthony Coombs, Chairman of S&U, commented:
"Although the current rebound in the Group's trading is very encouraging, political, health and economic headwinds remain for the UK. In the immediate future our financial strength, sound strategy and dedicated people will sustain the Group. At the same time, we see great opportunities, using our digital expertise, to attract new customers through new partner channels and to increase market share and continue sustainable growth. We relish the challenge."

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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) No 596/2014

Chairman's Statement

When I wrote a year ago of the "current challenging economic and political climate" little could any of us have foreseen the health and economic tsunami we have experienced in 2020. The challenges then of Brexit and governmental instability have since been dwarfed by the Covid-19 epidemic and the effects of Government action to overcome it.

Although the effect of a 20.4% reduction in GDP in just 3 months was and still may be severe, the real tragedy of Covid-19 has been a human one. Over 40,000 lonely deaths in the UK alone have been just the most vivid aspect of the massive disruption to people's lives, wellbeing and future prospects in the UK. In that regard, I pay particular tribute to our own staff, some of whose families have been directly affected and all of whom have adapted to working throughout the epidemic with stoicism and determination. Whilst we have not made use of the Government's furlough scheme many staff have worked from home and will continue to do so on a flexible basis. Provision has now been made, within Government and HSE guidance, for others to return to work. At present about 60 of around 180 office-based staff do so.

It is these staff who have rendered Covid-19 manageable for S&U, and it is they who give me every confidence that we can all prosper from the very significant opportunities that the economic recovery will now present.

In the meantime, the consequences for S&U, as for all consumer facing businesses, have been profound – but with our longer-term prospects still encouraging. Profit before tax has fallen from £17.1m last year to £6.3m in 2020, on revenue down from £44.2m to £42.8m this half year. Net receivables have shrunk from just under £300m last year to just under £282m now. These results include additional Covid-19 related forward-looking loan loss provision charges of nearly £14m for the Group. As our business volumes continue their recent improvement, our primary focus will be upon the quality of our book debt and our relationships with our loyal customers as the economy gradually recovers.

The Covid-19 landscape is constantly and unpredictably evolving. This half year therefore, I propose to give a more cinematic update on changing events both at the 31st July and afterwards. In this way we can give shareholders a more accurate idea of the trends at the time of publication, especially as the furlough and payment holiday schemes mandated by Government and the Financial Conduct Authority, gradually come to a close.

Motor Finance

After over 20 years of ground-breaking increasing profits, this half year Advantage report a profit of £6.1m against £16.6m last year on net receivables at £263.5m against £273.8m at 31 July 2019. The number of new loans advanced in the period fell 35% from 12,065 last year to 7,811 reflecting a similar fall in used car volumes throughout the UK.

Initially, transaction numbers fell to just 15% of budget, although better than a 92% fall in the UK market generally. Advantage wisely decided to keep credit lines open and have been rewarded with a gradual rise in transaction numbers to around 80% of budget. Higher proportions of our new customers appear in our top credit tier. These trends are predicted to continue, reflecting the latest FLA figures for used car volumes for July which showed a 9% increase on a year ago. Further market evidence is in recent used car auction values which have reported in August a monthly increase of 15.6% on last year.

As always, Advantage value quality as much as quantity – particularly apposite in uncertain times. Many of our customers will be now leaving the Government's Furlough Scheme and even more are returning to payment from the payment "holidays" which were somewhat precipitately mandated by the FCA at the outset of lockdown and have now been extended to October. Around 16,500 of the 64,000 Advantage customers took original payment holidays of mainly three months in H1 and currently under 6,500 customers are still on original or extended payment holiday.

Advantage therefore tightened under-writing rules very early in the lockdown, not advancing credit to lower credit score customers and those who, being self-employed, may have less sustainable incomes. Clearly important for the longer term, Advantage has also introduced new affordability measures and continues to improve the use of information within our underwriting process. These changes are designed to make Advantage's market leading under-writing system still more predictive of future payment performance. Work is now being done on a new job classification process which should yield information on those occupations most likely to weather any impending unemployment storm.

The early results of these underwriting changes are impressive. Of the 4,463 new loans written in the second quarter, 98.8% made their first due payment; pre Covid-19 that figure was 97.3%. This has been reflected in the current collection rates of the whole Advantage book. Thus, against a 94% target, 95.76% of customers who have not taken payment holidays are making payments as due and 86.4% of those customers who have had payment holidays are now making their contracted repayments. Indeed, sensibly, nearly a half of these customers who opted for a payment holiday have continued to make partial payments. Overall Advantage collections have now rebounded to 85% of due.

This collections performance is testament to both the loyalty and good sense of our customers, robust but pragmatic underwriting and the excellent "welcome back" systems put in place for customers affected by Covid-19.

Of course, no one can predict the future path of the labour market as the economy adapts to the unwinding of furlough and a possible no deal Brexit. This lack of clarity coincides with the injunctions in IFRS 9 to partly base loan loss provision charges on precisely such a prediction. I may not entirely concur with the great JK Galbraith's conclusions that "the only function of economic forecasting is to make astrology seem respectable." Advantage has nevertheless made additional loan loss provision charges of £13.8m which strike a balance between caution and realism.

What we can predict is that, echoing the financial crisis of a decade ago, new business opportunities will emerge to attract near prime customers who have been refused credit by credit systems within the mainstream banks.

Finally, whilst recording our admiration for the way in which all at Advantage, including the Senior Management Team have risen to recent challenges, it is proper to note the outstanding contribution of Graham Wheeler, Advantage's new Chief Executive who has proven his mettle in unprecedented circumstances. We are delighted to welcome Graham to the S&U Board where his advice and market knowledge will be very valuable.

Aspen Bridging

Post lockdown the residential markets in which Aspen mainly operates froze. Nationally those market transactions that did take place took a market record of 117 days from instruction to offer acceptance. Hence the number of bridging deals made by Aspen fell to 25 this half year from 42 in 2019. Consequently, profit before tax is £118,000 for the half year against £502,000 last year and revenue is £1,640,000 for the half year (2019: £2,073,000); net receivables were £18.5m on 31 July 2020, £6.2m less than in 2019.

The recent quality of the Aspen loan book has improved. LTVs were tightened early in the year and average loan size remained at £452,000 for the period. Future property prices are less certain due to Covid-19 but we anticipate that ongoing Aspen quality improvements should bode well for limiting future defaults. In the half year to 31 July 2020, repayments and default recovery collections increased to £13.9m against £10.1m in 2019.

Although we estimate the Covid-19 epidemic has delayed Aspen's planned growth, our confidence in its future is bolstered by the resilience of the residential market nationally. This saw total transactions at £37bn in August, the highest for 10 years. The instruction to offer period fell to just 28 days, the fastest since 2007. This was reflected in a record month for both new loans and repayments at Aspen as its target market benefited from both stamp duty relief in the short term and changes to permitted development rights and unmet demand for refurbished homes in the longer run.

Funding

As predicted at the outset of lockdown as lending slowed, the past half year has seen significant cash generation. Group borrowing has fallen from £118.5m at year-end to £108m at half year, compared to £125m at 31 July 2019. The reduction would have been greater still in the absence of payment holidays which cost Advantage around £9m in delayed monthly collections in the half year versus normal volume adjusted expectations.

During the period £25m of unused facilities were repaid early, leaving £130m medium term facilities and sufficient headroom for the resumption of growth expected at both Aspen and Advantage. Further facilities will be arranged as required.

Gearing during the period has fallen from 65% at year end to 62% at half year – against 74% at 31 July 2019.

Dividend

Consistently rising profits and our historically conservative business approach have enabled over 10 years of steadily increasing dividends. Current trends and our desire for future sustainability demand an adjustment now. We therefore propose to pay a first interim dividend this year of 22p per ordinary share (2019: 34p) to be followed, as usual, by further payments in March and July next year. This dividend will be paid on the 20 November 2020 to shareholders on the register on the 30 October 2020. This payment represents a sensible balance between prudence in uncertain times and our fundamental confidence in the business as the economy returns to a new normal.

Current Trading and Outlook

Although the current rebound in the Group's trading is very encouraging, political, health and economic headwinds remain for the UK. S&U has over 80 years of hardened experience and in the immediate future our financial strength, sound strategy and skilled people will sustain it. In the longer term, we see very significant opportunities, using our digital expertise, to attract new customers through new partner channels and to increase market share. We relish the challenge.

Anthony Coombs
Chairman

INTERIM MANAGEMENT REPORT

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to S&U plc and its subsidiaries when viewed as a whole.

ACTIVITIES

The principal activity of the S&U plc ("the Group") continues to be that of specialist finance and in particular secured hire purchase motor finance throughout England, Wales and Scotland and secured property bridging finance throughout England and Wales. The principal activity of S&U plc Company (the "Company") is as holding company of the Group.

BUSINESS REVIEW, RESULTS AND DIVIDENDS

A review of developments during the six months together with key performance indicators and future prospects is detailed in the Chairman's Statement.

There are no significant post balance sheet events to report.

The Group's profit on ordinary activities after taxation from continuing operations was £5,084,000 (H1 19: £14,017,000). Dividends of £10,436,000 (H1 19: £10,362,000) were paid during the period.

The Directors recommend a first interim dividend of 22.0p per share (2019: 34.0p). The dividend will be paid on the 20th November 2020 to shareholders on the register on the 30th October 2020.

PERFORMANCE MEASUREMENTS DEFINITIONS

Within our interim results we refer to the following performance measurements:

I) Risk adjusted yield as percentage of average monthly receivables is the gross yield for the period (revenue minus impairment) divided by the average monthly net receivables for the period.

ii) 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).

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

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

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 10 of these financial statements.

SHARE OPTION SCHEMES

During the six months, under the S&U Plc 2010 Long-Term Incentive Plan ("LTIP"), 4,000 options were awarded and no options lapsed. 13,667 options were exercised during the six months. 21,000 share options are still held under this plan as at 31 July 2020 (31 July 2019: 95,334 options and 31 January 2020: 30,917 options).

In the six months to 31 July 2020 the charge for these future share-based payments was £45,000 (H1 19: £65,000).

During the six months no shadow share options were granted or were exercised under the LTIP scheme. 16,000 shadow share options are still held under this plan as at 31 July 2020 (31 July 2019: 6,000 options and 31 January 2020: 12,000 options).

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the period.

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

CHANGES IN CONTINGENCIES

There have been no significant changes in contingent assets or liabilities since 31 January 2020.

STATEMENT OF GOING CONCERN

The Directors have considered the principal risks and uncertainties set out below and information on the Covid-19 situation (see also note 1.2 to the interim statements) and have a reasonable expectation that the Group is well placed and has sufficient financial resources to manage its business risks successfully despite the 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 these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

During the 6 months, the onset of the Covid-19 virus and the market, government, regulator and business actions surrounding it pose challenges for consumers in the UK. It is also a principal risk for the S&U Group, which has strategies in place and the skills, resilience and experience to help mitigate the risk.

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 onset of the Covid-19 virus and uncertainty surrounding Brexit have increased the potential for adverse economic conditions and higher levels of unemployment leading to more repayment delinquency. However, recent UK employment figures are still historically high and the economic outlook has improved recently as many return to work post lockdown. Advantage historically has been resilient through adverse macroeconomic conditions. We therefore believe the risks currently posed to the Group by Brexit are limited.

The Group is particularly exposed to the non-prime motor finance sector and within that to the values of used vehicles which are used as security. These credit, economic and concentration risks are principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation. Recent trends for used vehicles have been quite encouraging. These well tried and tested methods will be equally important in limiting risk at Aspen Bridging. Historically impairment rates in this market are extremely low, principally because loan to value calculations are conservative, interest is retained up front, and loan periods are a maximum of one year. Furthermore, Aspen has introduced a variety of controls to limit risk in a currently robust but less predictable housing market.

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 considers using interest rate derivative contracts to hedge these exposures in bank borrowings.

Legal, Regulatory and Conduct Risk

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

Whilst engaged in the un-regulated sector, 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.

Risk Management

Under Principle 28 of the 2018 UK Corporate 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 re-enforce these procedures

As outlined below, 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.

Anthony Coombs, Chairman

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit of S&U plc as required by DTR 4.2.4R;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Chris Redford, Company Secretary

INDEPENDENT REVIEW REPORT TO S&U PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2020 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Birmingham, UK
29 September 2020

S&U PLC GROUP

CONSOLIDATED INCOME STATEMENT

Six months ended 31 July 2020

	Note	Unaudited Six months ended 31.7.20 £'000	Unaudited Six months ended 31.7.19 £'000 Restated	Audited Financial year ended 31.1.20 £'000
Revenue	2	**42,827**	**44,162**	**89,939**
Cost of Sales	3	(28,822)	(18,145)	(37,092)
Gross Profit		**14,005**	**26,017**	**52,847**
Administrative expenses		(5,707)	(6,607)	(12,863)
Operating profit		**8,298**	**19,410**	**39,984**
Finance costs (net)		(1,989)	(2,272)	(4,850)
Profit before taxation	2	**6,309**	**17,138**	**35,134**
Taxation	4	(1,225)	(3,121)	(6,252)
Profit for the year attributable to equity holders		**5,084**	**14,017**	**28,882**
Earnings per share				
Basic	5	41.9p	116.5p	239.6p
Diluted	5	41.9p	116.1p	239.4p

All activities derive from continuing operations.

2019 comparatives have been restated for a change in recognition of revenue on credit impaired receivables in Motor Finance which has resulted in a reduction of revenue and cost of sales but has had no impact on profit. See note 1.3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31.7.20 £'000	Unaudited Six months ended 31.7.19 £'000	Audited Financial year ended 31.1.20 £'000
Profit for the year	5,084	14,017	28,882
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	-	(14)
Total Comprehensive Income for the year	5,084	14,017	28,868

Items above will not be reclassified subsequently to the Income Statement

CONSOLIDATED BALANCE SHEET

As at 31 July 2020

	Note	Unaudited 31.7.20 £'000	Unaudited 31.7.19 £'000	Audited 31.1.20 £'000
ASSETS				
Non current assets				
Property, plant and equipment		2,812	2,262	2,108
Amounts receivable from customers	7	185,315	192,720	195,604
Deferred tax assets		54	361	94
		188,181	195,343	197,806
Current assets				
Amounts receivable from customers	7	96,591	105,741	106,146
Trade and other receivables		2,155	1,256	1,473
Cash and cash equivalents		42	2	656
		98,788	106,999	108,275
Total assets		286,969	302,342	306,081
LIABILITIES				
Current liabilities				
Bank overdrafts and loans		-	(153)	-
Trade and other payables		(2,866)	(3,135)	(3,126)
Tax liabilities		(454)	(3,914)	(3,697)
Accruals and deferred income		(503)	(436)	(601)
		(3,823)	(7,638)	(7,424)
Non current liabilities				
Borrowings	9	(108,000)	(125,000)	(118,500)
Lease liabilities		(590)	(251)	(233)
Financial liabilities		(450)	(450)	(450)
		(109,040)	(125,701)	(119,183)
Total liabilities		(112,863)	(133,339)	(126,607)
NET ASSETS		174,106	169,003	179,474
Equity				
Called up share capital		1,717	1,708	1,715
Share premium account		2,301	2,301	2,301
Profit and loss account		170,088	164,994	175,458
TOTAL EQUITY		174,106	169,003	179,474

These interim condensed financial statements were approved on behalf of the Board of Directors.
Signed on behalf of the Board of Directors

Anthony Coombs Chris Redford Directors

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 31 July 2020

	Unaudited Called up share capital £'000	Unaudited Share premium account £'000	Unaudited Profit and loss account £'000	Unaudited Total equity £'000
At 1 February 2019	1,701	2,301	161,365	165,367
Profit for year	-	-	14,017	14,017
Other comprehensive income for year	-	-	-	-
Total comprehensive income for year	-	-	14,017	14,017
Issue of new shares in year	7	-	0	7
Cost of future share based payments	-	-	65	65
Tax credit on equity items	-	-	(91)	(91)
Dividends	-	-	(10,362)	(10,362)
At 31 July 2019	1,708	2,301	164,994	169,003
Profit for six month period	-	-	14,865	14,865
Other comprehensive income for year	-	-	(14)	(14)
Total comprehensive income for year	-	-	14,851	14,851
Issue of new shares in year	7	-	-	7
Cost of future share based payments	-	-	34	34
Tax charge on equity items	-	-	(322)	(322)
Dividends	-	-	(4,099)	(4,099)
At 31 January 2020	1,715	2,301	175,458	179,474
Profit for six month period	-	-	5,084	5,084
Other comprehensive income for year	-	-	-	0
Total comprehensive income for year	-	-	5,084	5,084
Issue of new shares in year	2	-	-	2
Cost of future share based payments	-	-	45	45
Tax charge on equity items	-	-	(63)	(63)
Dividends	-	-	(10,436)	(10,436)
At 31 July 2020	1,717	2,301	170,088	174,106

CONSOLIDATED CASH FLOW STATEMENT
Six months ended 31 July 2020

	Note	Unaudited Six months ended 31.7.20 £'000	Unaudited Six months ended 31.7.19 £'000	Audited Financial year ended 31.1.20 £'000
Net cash from/(used in) operating activities	8	20,919	(6,541)	4,946
Cash flows used in investing activities				
Proceeds on disposal of property, plant and equipment		83	14	40
Purchases of property, plant and equipment		(1,039)	(209)	(305)
Net cash used in investing activities		(956)	(195)	(265)
Cash flows (used in)/from financing activities				
Dividends paid		(10,436)	(10,362)	(14,461)
Issue of new shares		2	7	14
Receipt of new borrowings		14,500	17,000	10,459
Repayment of borrowings		(25,000)	-	-
Increase in lease liabilities		357	(23)	0
Net decrease in overdraft		-	115	(38)
Net cash (used in)/from financing activities		(20,577)	6,737	(4,026)
Net decrease in cash and cash equivalents		(614)	1	655
Cash and cash equivalents at the beginning of year		656	1	1
Cash and cash equivalents at the end of year		42	2	656
Cash and cash equivalents comprise				
Cash and cash in bank		42	2	656

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2020

1. ACCOUNTING POLICIES

1.1 General Information

S&U plc is a public limited company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in note 11 which is also the Group's principal business address. All operations are situated in the United Kingdom.

1.2 Basis of preparation and accounting policies

These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the financial statements as applied in the Group's latest annual audited financial statements. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the six months ended 31 July 2020.

There is no valuation of S&U's defined benefit pension scheme fund at half year and so no movements are reported in the statement of comprehensive income – such movements are not material due to the small size of the fund which was in surplus at the latest valuation date.

After making enquiries, 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 mitigated by the forbearance and experience of our skilled staff. Asset recovery and realisation challenges relate mainly to government and regulatory restrictions which have eased since May. Operational challenges included supporting staff working from home which has been significantly mitigated by technology. The directors have concluded that the Group has reasonable resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

There have been no changes in accounting policies during the period.

At the date of authorisation of this interim report the directors anticipate that the adoption in future periods of any other accounting 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 IFRS 16, 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.

Changes to revenue recognition in 2020

When preparing the 31 January 2020 financial statements, the group changed how they account for revenue in relation to revenue recognition for lease agreements within Advantage Finance, which are classified as credit impaired (i.e. stage 3 assets under IFRS 9). In 2019, the group recognised revenue on credit impaired receivables 'gross' of the impairment provision and impaired this additional revenue through the impairment charge resulting in a gross-up in the income statement. On reviewing its accounting policies in preparing the 31 January 2020 financial statements, the group determined that revenue should be recognised '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.

The group concluded that the change in accounting represented a material change and accordingly in the 31 January 2020 financial statements the group restated the 2019 income statement balances and has done the same restatement of comparatives in these 31 July 2020 financial statements. The restatement results in a reduction in Advantage's revenue and impairment in six months to 31 July 2019 of £3.5m (year to 31 January 2019: £6.3m) with no impact on profit before tax, earnings per share, retained earnings or the balance sheet.

1.4 Impairment and measurement of amounts receivable from customers

There are 3 classification stages under IFRS 9 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, in accordance with the provisions of IFRS 9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book. In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS 9 stage 3. The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

In May 2020, the Government announced a debt repayment moratoria that allowed customers to obtain a 3 month payment holiday on loans and leases due to the economic impact of the Covid-19 pandemic. Where our customers have taken payment holidays then in accordance with regulatory guidance this has not impacted on their arrears status. However, the level of provisions have increased due to an increase in the forward-looking macroeconomic overlay required by IFRS 9 and also where customers have entered arrears either before or after the payment holiday due to the impact on recent behaviour inputs to the expected loss model.

2. ANALYSIS OF REVENUE AND PROFIT BEFORE TAXATION

All revenue is generated in the United Kingdom. Analysis by class of business of revenue and profit before taxation are stated below:

	Revenue		
Class of business	**Six months ended 31.7.20 £'000**	**Six months ended 31.7.19 £'000**	**Financial year ended 31.1.20 £'000**
		Restated	
Motor finance	41,187	42,089	85,465
Property Bridging finance	1,640	2,073	4,474
Revenue	42,827	44,162	89,939

	Profit before taxation		
Class of business	**Six months ended 31.7.20 £'000**	**Six months ended 31.7.19 £'000**	**Financial year ended 31.1.20 £'000**
Motor finance	6,139	16,622	34,027
Property Bridging finance	118	502	1,205
Central costs income	52	14	(98)
Profit before taxation	6,309	17,138	35,134

3. COST OF SALES

	Six months ended 31.7.20 £'000	Six months ended 31.7.19 £'000 Restated	Financial year ended 31.1.20 £'000 Restated
Loan loss provisioning charge – motor finance	21,369	7,578	16,507
Loan loss provisioning charge – property bridging finance	307	318	713
Total loan loss provisioning charge	21,676	7,896	17,220
Other cost of sales – motor finance	6,907	9,927	19,238
Other cost of sales – property bridging finance	239	322	634
Total cost of sales	28,822	18,145	37,092

4. TAXATION

The tax charge for the period has been calculated by applying the estimated effective tax rate for the year of 19.2% (31 July 2019: 18.2% and 31 January 2020: 17.8%) to the profit before taxation for the six months.

5. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on profit for the period from continuing operations of £5,084,000 (period ended 31 July 2019: £14,017,000 and year ended 31 January 2020: £28,882,000).

The number of shares used in the basic calculation is the average number of ordinary shares in issue during the period of 12,125,290 (period ended 31 July 2019: 12,032,091 and year ended 31 January 2020: 12,056,027).

For diluted earnings per share the average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares relating to our share option scheme awards.

6. DIVIDENDS

A second interim dividend of 36.0p per ordinary share and a final dividend of 50.0p per ordinary share for the financial year ended 31 January 2020 were paid during the six month period to 31 July 2020 (total of 86.0p per ordinary share). This compares to a second interim dividend of 35.0p per ordinary share and a final dividend of 51.0p per ordinary share for the financial year ended 31 January 2019 which were paid during the 6 months period to 31 July 2019 (total of 87.0p per ordinary share). During the twelve months to 31 January 2020 total dividends of 120.0p per ordinary share were paid. These distributions are shown in the consolidated statement of changes in equity in this interim financial information.

The directors have also declared a first interim dividend of 22.0p per share (2019: 34.0p per share). The first interim dividend, which amounts to approximately £2,671,000 (2019: £4,107,000), will be paid on 20 November 2020 to shareholders on the register at 30 October 2020. The shares will be quoted ex dividend on 29 October 2020. The interim financial information does not include this proposed dividend as it was declared after the balance sheet date.

7. ANALYSIS AMOUNTS RECEIVABLE FROM CUSTOMERS

All operations are situated in the United Kingdom.

	Six months ended 31.7.20 £'000	Six months ended 31.7.19 £'000	Financial year ended 31.1.20 £'000
Motor Finance			
Amounts receivable from customers (capital)	343,370	332,914	344,131
Less: Loan loss provision for motor finance	(79,918)	(59,143)	(63,374)
Motor Finance net amounts receivable from customers	263,452	273,771	280,757
Property Bridging Finance			
Amounts receivable from customers (capital)	19,235	25,293	21,949
Less: Loan loss provision for property bridging	(781)	(603)	(956)
Property bridging net amounts receivable from customers	18,454	24,690	20,993
Total net amounts receivable from customers	281,906	298,461	301,750
Analysed as - due within one year	96,591	105,741	106,146
- due in more than one year	185,315	192,720	195,604
Amounts receivable from customers (net)	281,906	298,461	301,750

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

	Not credit Impaired		Credit Impaired		
	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	Amounts Receivable £'000
As at 31 July 2020					
Motor finance	(13,525)	(147)	(66,246)	(79,918)	343,370
Property bridging finance	(139)	-	(642)	(781)	19,235
Total	(13,664)	(147)	(66,888)	(80,699)	362,605
As at 31 July 2019					
Motor finance	(14,395)	(12)	(45,089)	(59,143)	332,914
Property bridging finance	(238)	-	(365)	(603)	25,293
Total	(14,633)	(12)	(45,454)	(59,746)	358,207
As at 31 January 2020					
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

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

	Six months ended 31.7.20 £'000	Six months ended 31.7.19 £'000	Financial year ended 31.1.20 £'000
Operating Profit	8,298	19,410	39,984
Finance costs paid	(1,989)	(2,272)	(4,850)
Finance income received	0	0	0
Tax paid	(4,491)	(3,256)	(6,659)
Depreciation on plant, property and equipment	252	226	450
Loss on disposal of plant, property and equipment	0	3	3
Decrease/(increase) in amounts receivable from customers	19,844	(21,398)	(24,687)
Increase in trade and other receivables	(682)	(201)	(418)
Increase/(decrease) in trade and other payables	(260)	996	987
(Decrease)/increase in accruals and deferred income	(98)	(114)	51
Increase in cost of future share based payments	45	65	99
Movement in retirement benefit asset/obligations	-	-	(14)
Net cash from/(used in) operating activities	20,919	(6,541)	4,946

9. BORROWINGS

Movements in our loans and overdrafts for the respective periods are shown in the consolidated cash flow statement. The period end borrowings had reduced to £108m. During the 6 months to 31 July 2020, the £25m term loan facility due for repayment in April 2021 was repaid and the £25m revolving credit facility due for repayment in March 2021 has been replaced with a facility for £20m due for repayment in March 2025. Committed borrowing facilities were £130m at 31 July 2020 (31 July 2019: £160m and 31 January 2020: £160m) plus at 31 July 2020 we had £7m in overdraft facilities.

10. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this report. During the six months the Group made charitable donations amounting to £48,000 (6 months to July 2019: £44,000; year to January 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 half year end was £nil (July 2019: £nil; January 2020 £nil). During the six months the Group obtained supplies amounting to £5,668 (6 months to July 2019: £5,668; year to January 2020: £5,668) from Grevayne Properties Limited, a company which is a related party because Messrs GDC and AMV Coombs are directors and shareholders. The amount owed to Grevayne Properties Limited at the half year end was £nil (July 2019: £5,668; January 2020 £nil). All related party transactions were settled in full.

11. INTERIM REPORT

The information for the year ended 31 January 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. A copy of this Interim Report will be made available to all our shareholders and to the public on our website at www.suplc.co.uk and at the Company's registered office at 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.