25 September 2018

S&U PLC

("S&U" or “the Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2018

Another year of steady sustainable growth

S&U, the specialist motor finance and bridging lender, today announces its interim results for the six months ending 31 July 2018. The results continue to reflect the Group’s ability to maintain and build its business in a consistent, stable and sustainable way in the current challenging economic and political environment.

Financial Highlights

- Group revenue at a record £44.5m – up 23% on IFRS16 comparable basis
- Profit before tax: £16.7m - up 17% on last year (H1 2017: £14.3m)
- Earnings per share: 112.6p (H1 2017: 96.0p) - up 17%
- Group receivables up 22% at £279.8m including increased investment in Aspen Bridging
- Gearing at July 2018: 78% (July 2017: 56%)
- Interim dividend increased to 32.0p per share (2017: 28.0p per share)

Operational Highlights

- A record number of Advantage customers 58,000 at 31 July 18 (31 July 2017: 49,000)
- Advantage loan applications reached a half year record of over 510,000 (H1 2017: 440,000)
- Advantage H1 monthly collections up 20% at £67.7m (H1 2017: £56.4m)
- Advantage rolling 12 months impairment to revenue has risen to 24.7% as at 31 July 18 from 21.9% at yearend on IFRS9 and IFRS16 adjusted basis
- Advantage implemented tighter underwriting in H1 with approval ratio 25% (H1 2017: 31%)
- Aspen Bridging now profitable as planned with H1 profit of £279,000.
- Aspen Bridging short-listed for best newcomer and wins New Product of the Year at Bridging and Commercial Awards

Anthony Coombs, Chairman of S&U, commented:

“Demand for our products and services remains strong despite a more challenging consumer and economic climate. We are therefore confident of maintaining S&U’s record of strong, stable and consistent growth in years to come.”

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Chairman's Statement

I am happy to announce another good set of results for S&U for the past six months. Profit before tax is £16.7m (H1 17: £14.3m) an increase of 17% on last year, and the tenth successive increase. The used car finance and lower value property sectors we serve are proving very resilient in a more challenging economic and consumer climate. As a result, S&U's long-standing record of sustainable growth, responsible and selective lending and customer service continues to gain its just reward.

Motor Finance

Advantage Finance, our motor subsidiary based in Grimsby, continues its remarkably consistent growth for a 19th consecutive year achieving a record profit of £16.3m (H1 17: £14.4m) while net receivables have reached a record £263.5m (H1 17: £226.8m). Customer numbers are at a record 58,000.

These results reflect a used-car finance market, in which, according to the latest FLA (Finance and Leasing Association) statistics, volumes have grown by 7% on last year; Advantage received a record 510,000 applications over the past six months (H1 17: 440,000), an increase of 16%. This reflects a strong labour market, albeit with the important caveats, of a relatively high level of consumer debt in the UK and with nominal real wage growth.

These caveats have led Advantage to conservatively tighten underwriting criteria so that the acceptance levels in the half-year are now at 25% of applications compared to 31% a year ago. Although efficiencies generated by the introduction of the Dealflo e-signature system have seen the transaction to approved rate rise slightly to 9%, Advantage's overall transaction rate as a percentage of applications received is just 2.3% (H1 17: 2.8%). This has meant that transactions in the first half are 11,822, just short of last year's record but comfortably ahead of the 10,365 achieved in 2016.

This pause in growth is clear evidence of Advantage's commitment to sustainable expansion on a consistent basis and to maintain the quality of its loan book. Whilst monthly collections in the half year were up 20% on last year at £67.7m, more challenging circumstances for some customers have seen rolling 12 months impairment to revenue rise to 24.7% as at 31 July 18 from 21.9% at yearend on IFRS9 and IFRS16 adjusted basis. Risk adjusted rolling 12 month yield as a percentage of average monthly receivables therefore reduced from 26.7% at yearend to 25.4% for the year to 31 July 2018.

Whilst motor finance impairment continued slightly higher than expected, the return on average capital employed during the period before cost of funds was still 15.4% in the six months to 31 July 2018 (H1 17: 16.4%). Equally as important, current evidence on early repayment from customers acquired this half year with tightened underwriting, points to a gradual return to the lower impairment of recent years. Due to the stable 51 month average term of the loans, the majority of Advantage's profit in any financial year arises on loans already up and running at the start of the year.

Indeed, this embedded profitability, added to strong customer relationships and refined underwriting and operational procedures, is central to Advantage's remarkably consistent performance and its prospects for the future.

Aspen Bridging

Aspen Bridging, our property finance business based in Solihull and still in its pilot stage, has made encouraging progress over the past six months. This half year has seen a profit before tax of £279,000 compared to a start-up loss in H1 17 of £280,000. The inevitably gradual process of building reputation and credibility (Aspen recently won New Product of the Year at the Bridging and Commercial awards) coupled with a cautious approach to risk constrained its early growth. Now however, current enquiries, its deal pipeline and a growing repayment profile point to a promising future and a valuable further income stream for the Group.

Funding

Further investment in both our businesses and in the rewards to shareholders, have seen Group borrowings including overdrafts rise from £105m at year-end to £121m at half year (31 July 17: £81m). As Advantage matures, this increase of £16m compares with an increase of £32m over the same period last year; it also results in a Group gearing ratio of 78% (31 July 17: 56%) which is consistent with S&U's traditionally conservative treasury approach. The further investment also increased our Group finance costs in H1 18 by nearly £1m versus H1 17. At the start of this year we added £20m of committed term facilities for the Group and more will be sought as required.

Dividend

Rewards to shareholders have always reflected S&U's steady, sustainable growth. We therefore propose to pay a first interim dividend this year of 32.0p per ordinary share (2017: 28.0p) which is also consistent with our long-standing aim to reach twice dividend cover. The dividend will be paid on the 16 November 2018 to ordinary shareholders on the register on the 26 October 2018. Our second and final dividends are expected to be paid on 15 March 2019 and 12 July 2019 respectively.

Current Trading and Outlook

To paraphrase Samuel Johnson ”great works are performed not only by strength but by perseverance”. Irrespective of current political and economic uncertainties, demand for the service and products S&U provide remains strong; the experience and skills within the Group underpin our record of sustainable and consistent growth over many decades and give us quiet but sure confidence for the future.

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 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 £13,507,000 (H1 17: £11,492,000). Dividends of £9,245,000 (H1 17: £8,028,000) were paid during the period.

The Directors recommend a first interim dividend of 32.0p per share (2017: 28.0p). The dividend will be paid on 16 November 2018 to shareholders on the register on 26 October 2018.

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"), 10,000 options were awarded and no options lapsed. 13,000 options were exercised during the six months. 145,001 share options are still held under this plan as at 31 July 2018 (31 July 2017: 159,001 options and 31 January 2018: 148,001 options).

During the six months no options lapsed and no options were awarded under the S&U Plc 2008 Discretionary Share Option Plan ("DSOP"). 600 share options were exercised during the six months resulting in nil share options still held under this plan as at 31 July 2018 (31 July 2017: 1,050 options and 31 January 2018: 600 options).

In the six months to 31 July 2018 the charge for these future share-based payments was £110,000 (H1 17: £159,000).

CHANGES IN ACCOUNTING POLICIES
As highlighted in previous announcements the Group has adopted IFRS9 financial instruments which was effective for the first time during the six months ended 31 July 2018. In accordance with transitional provisions of the IFRS9 Standard, comparative periods have not been restated and therefore information for the year to 31 January 2018 and for the six months to 31 July 2017 is not directly comparable.
Implementation of IFRS9 resulted in a £2.47m reduction in the Group's opening equity at 1 February 2018 being £3.05m net of £0.58m related to the associated tax impact. There has been no change in the carrying amount of financial instruments under IFRS9 on the basis of changes to their measurement categories. The £2.47m reduction is solely due to the replacement of the IAS39 incurred loss impairment approach with an expected credit loss approach under IFRS9.

As part of its transition to IFRS9 the Group has also early adopted IFRS16 Leases with effect from 1 February 2018 in advance of its normal effective date of 1 February 2019. The Group has elected to adopt the modified retrospective approach allowed under IFRS16 and as such there was no opening effect on equity as at 1 February 2018. For short term leases (lease terms of 12 months or less) and leases of low value assets the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS16. This expense is presented within Administrative expenses in the consolidated income statement. At 31 July 18 the introduction of IFRS16 has resulted in a recognition of right of use assets of £257,000 and lease liabilities of £260,000. The introduction of IFRS16 also changes the revenue recognition accounting for our motor finance hire purchase contracts whereby the grossing up of revenue and impairment for uncharged interest on arrears now ceases. The effect of this on the income statement is to reduce revenue and impairment by £1.2m each for the six months to 31 July 18 and in tandem with IFRS9 impairment changes make historic impairment to revenue trends less directly comparable. The ceasing of this grossing up under IFRS16 has no effect on the risk adjusted yield measure which we have therefore also highlighted for comparative purposes. As any effect on revenue and impairment of grossing up was equal and opposite, the effect of this IFRS16 change on profit is £nil.

CHANGES IN CONTINGENCIES
There have been no significant changes in contingent assets or liabilities since 31 January 2018.

STATEMENT OF GOING CONCERN

After making enquiries and considering the principal risks and uncertainties set out below, 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

There have been no material changes in the principal risks and uncertainties since 31 January 2018.

Consumer and Economic risks including the value of security

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

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. Further Aspen has introduced a variety of controls to limit risk in a heavily under supplied 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 uses 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. As a regulated lender Advantage Finance Limited applied for a standard FCA licence in 2016 and received renewed authorisation. 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, during its pilot stage 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.

Other Operational Risks

Other operational risks are endemic to any finance business. Rigorous procedures, detailed recovery plans and, above all, sound experience and commercial common sense provides Advantage and the Group with appropriate protection. In particular recent work has been focused on Cyber Security. Although breaches are rare, a review has been completed internally and monitored by RSM, our internal auditors. This will be an ongoing process overseen by the Audit Committee.

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 2018 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.

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.

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 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 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Birmingham, UK
25 September 2018

S&U PLC GROUP
CONSOLIDATED INCOME STATEMENT
Six months ended 31 July 2018

	Note	Unaudited Six months ended 31.7.18 £'000	Unaudited Six months ended 31.7.17 £'000	Audited Financial year ended 31.1.18 £'000
Revenue	2	**44,460**	**37,556**	**79,781**
Cost of sales	3	(20,005)	(17,226)	(36,880)
Gross profit		**24,455**	**20,330**	**42,901**
Administrative expenses		(5,642)	(4,903)	(9,923)
Operating profit		**18,813**	**15,427**	**32,978**
Finance costs (net)		(2,139)	(1,152)	(2,818)
Profit before taxation	2	**16,674**	**14,275**	**30,160**
Taxation	4	(3,167)	(2,783)	(5,746)
Profit for the period		**13,507**	**11,492**	**24,414**
Earnings per share				
Basic	5	112.6p	96.0p	203.8p
Diluted	5	111.8p	95.3p	202.4p

All activities and earnings per share derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31.7.18 £000	Unaudited Six months ended 31.7.17 £000	Audited Financial year ended 31.1.18 £000
Profit for the period	13,507	11,492	24,414
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	-	(14)
Total Comprehensive Income for the period	13,507	11,492	24,400

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

CONSOLIDATED BALANCE SHEET
As at 31 July 2018

	Note	Unaudited 31.7.18 £'000	Unaudited 31.7.17 £'000	Audited 31.1.18 £'000
ASSETS				
Non current assets				
Property, plant and equipment		2,051	1,866	1,931
Right of use assets		257	-	-
Amounts receivable from customers	7	187,375	161,891	178,597
Deferred tax assets		487	441	487
		190,170	164,198	181,015
Current assets				
Amounts receivable from customers	7	92,407	66,714	83,459
Trade and other receivables		936	723	718
Cash and cash equivalents		1	3	1
		93,344	67,440	84,178
Total assets		283,514	231,638	265,193
LIABILITIES				
Current liabilities				
Bank overdrafts and loans		(417)	(676)	(991)
Trade and other payables		(2,648)	(2,336)	(2,549)
Current tax liabilities		(3,382)	(3,374)	(3,600)
Accruals and deferred income		(626)	(1,710)	(787)
		(7,073)	(8,096)	(7,927)
Non current liabilities				
Borrowings		(121,000)	(80,000)	(104,000)
Lease Liabilities		(260)	-	-
Financial liabilities		(450)	(450)	(450)
		(121,710)	(80,450)	(104,450)
Total liabilities		(128,783)	(88,546)	(112,377)
NET ASSETS		154,731	143,092	152,816
Equity				
Called up share capital		1,700	1,697	1,697
Share premium account		2,301	2,281	2,289
Profit and loss account		150,730	139,114	148,828
TOTAL EQUITY		154,731	143,092	152,816

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 2018

	Unaudited Called up share capital £'000	Unaudited Share premium account £'000	Unaudited Profit and loss account £'000	Unaudited Total equity £'000
At 1 February 2017	1,695	2,281	135,491	139,467
Profit for six month period	-	-	11,492	11,492
Other comprehensive income for period	-	-	-	-
Total comprehensive income for period	-	-	11,492	11,492
Issue of new shares	2	-	-	2
Cost of future share based payments	-	-	159	159
Tax charge on equity items	-	-	-	-
Dividends	-	-	(8,028)	(8,028)
At 31 July 2017	1,697	2,281	139,114	143,092
Profit for six month period	-	-	12,922	12,922
Other comprehensive income for period	-	-	(14)	(14)
Total comprehensive income for period	-	-	12,908	12,908
Issue of new shares	2	8	-	10
Cost of future share based payments	-	-	158	158
Tax charge on equity items	-	-	(3)	(3)
Dividends	-	-	(3,349)	(3,349)
At 31 January 2018	1,699	2,289	148,828	152,816
Profit for six month period	-	-	13,507	13,507
Other comprehensive income for period	-	-	-	-
Total comprehensive income for period	-	-	13,507	13,507
Issue of new shares	1	12	-	13
Cost of future share based payments	-	-	110	110
Ifrs9 receivables adjustment	-	-	(3,050)	(3,050)
Tax charge on equity items	-	-	580	580
Dividends	-	-	(9,245)	(9,245)
At 31 July 2018	1,700	2,301	150,730	154,731

CONSOLIDATED CASH FLOW STATEMENT
Six months ended 31 July 2018

	Note	Unaudited Six months ended 31.7.18 £'000	Unaudited Six months ended 31.7.17 £'000	Audited Financial Year ended 31.1.18 £'000
Net cash used in operating activities	8	(6,892)	(22,671)	(43,418)
Cash flows used in investing activities				
Proceeds on disposal of property, plant and equipment		18	22	37
Purchases of property, plant and equipment		(312)	(831)	(1,077)
Net cash used in investing activities		(294)	(809)	(1,040)
Cash flows from financing activities				
Dividends paid		(9,245)	(8,028)	(11,377)
Issue of new shares		13	2	12
Receipt of new borrowings		17,000	32,000	56,000
Repayment of borrowings		-	-	-
Repayment of lease liabilities		(8)	-	-
Decrease in overdraft		(574)	(495)	(180)
Net cash from financing activities		7,186	23,479	44,455
Net decrease in cash and cash equivalents		-	(1)	(3)
Cash and cash equivalents at the beginning of the period		1	4	4
Cash and cash equivalents at the end of the period		1	3	1
Cash and cash equivalents comprise				
Cash and cash in bank		1	3	4

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2018

1. ACCOUNTING POLICIES

1.1 General Information

S&U plc is a 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 2018. 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. 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).

As highlighted in previous announcements the Group has adopted IFRS9 financial instruments which was effective for the first time during the six months ended 31 July 2018 – the main change in this standard for the group is to replace the IAS39 incurred loss impairment approach with an expected loss approach under IFRS9. In accordance with transitional provisions of the IFRS9 Standard, comparative periods have not been restated and therefore information for the year to 31 January 2018 and for the six months to 31 July 2017 is not directly comparable.

At 1 February 2018 the Group has adopted Revenue from Contracts with Customers which was effective for the first time during the six months ended 31 July 2018 – this standard requires the Group to review fees, charges and other income for the purposes of calculating the effective interest rate on our loans. As part of its transition to IFRS9 the Group has also early adopted IFRS16 Leases with effect from 1 February 2018 in advance of its normal effective date of 1 February 2019. The Group has elected to adopt the modified retrospective approach allowed under IFRS16 and there was no opening effect on equity as at 1 February 2018. For short term leases (lease terms of 12 months or less) and leases of low value assets the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS16. This expense is presented within Administrative expenses in the consolidated income statement. The introduction of IFRS16 also changes a minor element of our accounting for our motor finance hire purchase contracts whereby the grossing up of revenue and impairment for uncharged interest on arrears now ceases. The effect of this on the income statement is to reduce revenue and impairment by £1.2m each for the six months to 31 July 18 and in tandem with IFRS9 impairment changes make historic impairment to revenue trends less directly comparable. The ceasing of this grossing up under IFRS16 has no effect on the risk adjusted yield measure which we have therefore also highlighted for comparative purposes. As any effect on revenue and impairment of grossing up was equal and opposite, the effect of this IFRS16 change on profit is £nil.

Amendments to the Share-based payment standard IFRS2and Annual Improvements to IFRS s: 2014-2016 Cycle – IFRS1 and IAS28 Amendments also became effective in the period commencing 1 February 2018 – they have no material impact on the Group. At the date of authorisation of these financial statements the directors anticipate that the adoption in future periods of any other Standards and interpretations which are in issue but not yet effective, will have no material impact on the financial statements of the Group.

1.3 Impairment and measurement of amounts receivable from customers

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

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

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

Stage 3: Credit impaired

For all loans in stages 2 and 3 a provision equal to the lifetime expected credit loss is taken and for loans in stage 1 a provision equal to the expected credit loss in the next 12 months is taken. In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS9 stage 3. This means that a delinquent loan is provided sooner within our Motor Finance business than the backstop 90 days afforded in IFRS9.

The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

1.4 Performance Measurements

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

ii) Rolling 12 month impairment to revenue % is the impairment charged in the income statement during the 12 months prior to the reporting date divided by the revenue for the same 12 month period. Historic comparisons using this measure are more affected by the adoption of new accounting standards IFRS9 and IFRS16 as referred to above.

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

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

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

2. ANALYSES OF REVENUE AND PROFIT BEFORE TAXATION

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

		Revenue	
Class of business	**Six months ended 31.7.18 £'000**	**Six months ended 31.7.17 £'000**	**Financial year ended 31.1.18 £'000**
Motor finance	43,270	37,470	78,882
Property bridging finance	1,190	86	899
Revenue	44,460	37,556	79,781

		Profit before taxation	
Class of business	**Six months ended 31.7.18 £'000**	**Six months ended 31.7.17 £'000**	**Financial year ended 31.1.18 £'000**
Motor finance	16,306	14,417	30,211
Property bridging finance	279	(280)	(298)
Central costs/income	89	138	247
Profit before taxation	16,674	14,275	30,160

3. COST OF SALES

	Six months ended 31.7.18 £'000 (IFRS9 basis)	Six months ended 31.7.17 £'000 (IAS39 basis)	Financial year ended 31.1.18 £'000 (IAS39 basis)
Loan loss provisioning charge - motor finance	11,320	8,573	19,434
Loan loss provisioning charge – property bridging finance	98	19	162
Total loan loss provisioning charge	11,418	8,591	19,596
Other cost of sales – motor finance	8,390	8,579	16,977
Other cost of sales – property bridging finance	197	56	307
Cost of sales	20,005	17,226	36,880

The six months to 31 July 2018 column has been prepared on an IFRS9 basis. In accordance with the transitional provisions of the standard, comparatives have not been restated.

4. TAXATION

The tax charge for the period has been calculated by applying the estimated effective tax rate for the year of 19.0% (31 July 2017: 19.5% and 31 January 2018: 19.2%) 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 £13,507,000 (period ended 31 July 2017: £11,492,000 and year ended 31 January 2018: £24,414,000).

The number of shares used in the basic calculation is the average number of ordinary shares in issue during the period of 11,996,479 (period ended 31 July 2017: 11,971,363 and year ended 31 January 2018: 11,978,685).

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 32.0p per ordinary share and a final dividend of 45.0p per ordinary share for the financial year ended 31 January 2018 were paid during the six month period to 31 July 2018 (total of 77.0p per ordinary share). This compares to a second interim dividend of 28.0p per ordinary share and a final dividend of 39.0p per ordinary share for the financial year ended 31 January 2017 which were paid during the 6 months period to 31 July 2017 (total of 67.0p per ordinary share). During the twelve months to 31 January 2018 total dividends of 95.0p 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 32.0p per share (2017: 28.0p per share). The first interim dividend, which amounts to approximately £3,841,000 (2017: £3,360,000), will be paid on 16 November 2018 to shareholders on the register at 26 October 2018. The shares will be quoted ex dividend on 25 October 2018. The interim financial information does not include this proposed dividend as it was declared after the balance sheet date.

7. ANALYSIS OF AMOUNTS RECEIVABLE FROM CUSTOMERS

All operations are situated in the United Kingdom.

	Six months ended 31.7.18 £'000 (IFRS9 basis)	Six months ended 31.7.17 £'000 (IAS39 basis)	Financial year ended 31.1.18 £'000 (IAS39 basis)
Motor Finance			
Amounts receivable from customers (capital)	315,627	263,367	295,677
Less: Loan loss provision for motor finance	(52,172)	(36,560)	(44,462)
Motor Finance net amounts receivable from customers	263,455	226,807	251,215
Property Bridging Finance			
Amounts receivable from customers (capital)	16,562	1,816	11,003
Less: Loan loss provision for property bridging	(235)	(18)	(162)
Property Bridging net amounts receivable from customers	16,327	1,798	10,841
Total net amounts receivable from customers	279,782	228,605	262,056
Analysed as:- due within one year	92,407	66,714	83,459
- due in more than one year	187,375	161,891	178,597
Amounts receivable from customers (net)	279,782	228,605	262,056

Analysis of amounts receivable from customers (capital) and loan loss provision under IFRS9 at 31 July 18

	Not credit impaired Stage 1 Subject to 12 mths ECL £'000	Not credit impaired Stage 2 Subject to Lifetime ECL £'000	Credit impaired Stage 3 Subject to Lifetime ECL £'000	Total £'000
Amounts receivable from customers				
Motor Finance	238,715	123	76,789	315,627
Property Bridging finance	14,050	-	2,512	16,562
Total amounts receivable	252,765	123	79,301	331,189
Loan loss provisions				
Motor Finance	(12,884)	(32)	(39,256)	(52,172)
Property Bridging finance	(120)	-	(115)	(235)
Total loan loss provisions	(13,004)	(32)	(39,371)	(52,407)
Total net amounts receivable	239,761	91	39,930	279,782

The above table is prepared on an IFRS9 basis. In accordance with the transitional provisions of the standard comparatives have not been restated.

7. ANALYSIS OF AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

Implementation of IFRS 9 at 1 February 2018

	£000
Motor Finance	
Loan loss provisions brought forward under IAS39	(44,462)
Expected credit loss IFRS9 adjustment	(3,050)
Loan loss provisions brought forward under IFRS9	(47,512)

The expected credit loss adjustment required under IFRS9 at 1 February 2018 is shown in the consolidated statement of changes in equity above.

8. RECONCILIATION OF OPERATING PROFIT TO CASH FLOW USED IN OPERATING ACTIVITIES

	Six months ended 31.7.18 £'000	Six months ended 31.7.17 £'000	Financial year ended 31.1.18 £'000
Operating Profit	18,813	15,427	32,978
Finance costs paid	(2,139)	(1,152)	(2,818)
Tax paid	(2,805)	(2,513)	(5,299)
Depreciation on property, plant and equipment	174	133	294
Depreciation on right of use assets	11	-	-
Loss on disposal on property, plant and equipment	-	-	5
Increase in amounts receivable from customers	(20,776)	(35,076)	(68,527)
Increase in trade and other receivables	(218)	(120)	(115)
Increase in trade and other payables	99	327	540
(Decrease)/increase in accruals and deferred income	(161)	144	(779)
Increase in cost of future share based payments	110	159	317
Decrease in retirement benefit obligations	-	-	(14)
Cash flow used in operating activities	(6,892)	(22,671)	(43,418)

9. BORROWINGS

Movements in our loans and overdrafts for the respective periods are shown in the consolidated cash flow statement. As expected, cash used in operating activities was lower in the six months to 31 July 2018 than in the same period last year reflecting a 6% decrease in motor finance advances in the first 6 months of this year. The period end borrowings were £121.4m and committed borrowing facilities were £135m at 31 July 2018 plus £5m in overdraft facilities – overdraft facilities were increased to £7m after the period end.

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 2017: £42,000; year to January 2018: £89,000) 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 2017: £nil; January 2018 £nil). During the six months the Group obtained supplies amounting to £5,580 (6 months to July 2017: £5,580; year to January 2018: £5,580) 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 2017: £nil; January 2018 £nil). All related party transactions were settled in full.

11. INTERIM REPORT

The information for the year ended 31 January 2018 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.