

S&U PLC
(“S&U” or “the Group”)
INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2021

Back on track and driving forward

S&U, the specialist motor and property bridging finance lender announces today its results for the six months ended 31st July 2021. As the legacy of Covid gradually fades and brightening skies appear, S&U is robustly back on track and driving forward to our usual standard of profitable, sustainable growth.

Financial Highlights

- Profit before tax: £19.9m (H1 2020: £6.3m)
- Earnings Per Share: 133.1p per share (H1 2020: 41.9p)
- Net Group Receivables: £306.4m (31 July 2020: £281.9m) - up 9%
- First interim dividend: 33p per ordinary share (H1 2020: 22p)
- Group Gearing at 61% (31 July 2020: 62%) – Group facilities increased to £180m giving £65m headroom for growth.

Operational Highlights

Advantage Finance Limited

- Profit before tax: £18.5m (H1 2020: £6.1m)
- New net loan advances up 35% year on year at £68.3m (H1 2020: £50.7m)
- Total first half collections up 14% at £100.2m (H1 2020: £87.9m) with record Q2 basic live collections
- New customer payment portal and underwriting refinements through Open Banking links.

Aspen Bridging Limited

- Profit before tax: £1.5m (H1 2020: £0.1m)
- New net loan advances £56.5m (H1 2020: £9.9m)
- Excellent repayments and book quality with only one current default
- Receivables book grows from £34.1m to £57.7m in first half – up 69.2%

Anthony Coombs, Chairman of S&U commented:

“As the old saying goes, the finest steel goes through the hottest fire. The Covid induced tribulations of the past year have seen S&U emerge more profitable, more competitive and more attuned to our customers’ needs. Add to that the buoyant markets in which we operate, our strongest ever financial base and our loyal and committed workforce, and prospects for the future are bright indeed.”

Enquiries:

S&U Plc Anthony Coombs, Chairman	0121 705 7777
Newgate Communications Bob Huxford, Tom Carnegie, Megan Kovach	020 7653 9848
Peel Hunt LLP Adrian Trimmings, Andrew Buchannan, Rishi Shah	020 7418 8900

Chairman's Statement

As the legacy of Covid gradually fades and brightening skies emerge, I am pleased to announce that S&U is robustly back on track and driving forwards towards our usual standard of profitable, sustainable growth.

Group profits before tax for the half year to 31st July 2021 are just under £20m against £6.3m last year, partly due to a lower than normal impairment charge at Advantage Finance, as an excellent collections performance proved the effect of the pandemic less severe than anticipated. Earnings per share are 133.1p (H1 2020: 41.9p). Whilst our deliberately cautious approach to underwriting has slightly constrained growth at Advantage, our motor finance business, Group income at £42.8m is nevertheless up 5% on the previous half year period (H2 2020: £40.9m). Happily, this same approach to growth during the pandemic has borne fruit both in record collections and new customer quality across the Group; this has justified a lower than normal impairment charge of £5.1m for the half year (H1 2020: £21.7m; H1 2019: £7.9m).

Meanwhile Group equity has risen to £188.9m (H1 2020: £174.1m) and Group net customer receivables are up by £25.5m over the past six months and on the 31st July stood at £306.4m against £281.9m a year ago.

Principal credit for these results must go to S&U's loyal and committed staff who throughout the pandemic have worked with so much enthusiasm and determination both at home and now in the gradual transition to a new home/office hybrid working life. I thank them all.

Motor Finance

Advantage Finance, our motor operation based in Grimsby, has now resumed its previous 20-year record of profits growth. For the half year it has produced profit before tax of £18.5m (H1 2020: £6.1m). This excellent result is accompanied by a 23% increase in loan transactions in the half year at 9,697 (H1 2020: 7,811), loan advances up 35% at £68.3m, and in a superb performance in collections and loan quality.

Thus, from 62,000 live customers, approximately the same as at year end, total collections are up by 14% for the half year. Moreover, the second quarter has seen basic live collections at £38.3m, a record, and at 94.4% of due, which is the best performance since October 2017. Whilst based upon detailed and responsible under-writing, and constant attention to refining measurements of customer affordability, much credit for this very high quality must go to the understanding relationships our staff develop with our loyal customers. As the human face of finance, we focus on helping our customers improve their credit profiles and devising ways of making this easier.

Thus, over the past six months a new 24/7 portal now allows our customers total flexibility in making their repayments. A new automated open banking system has given Advantage greater understanding of affordability and changing customer circumstances. In addition, a third credit reference bureau (Equifax) has now been integrated into Advantage's under-writing process, increasing our knowledge of new customers without in any way hindering the speed of service we give them.

These market leading advances have been matched by those in sales as transactions at 9,697 for the half year have increased by 23% on H1 2020. We have also implemented a number of product changes, particularly aimed at widening Advantage's near prime customer range and in attracting self-employed customers. Further, in addition to introducing measures to increase the range and activity rates of our introducer brokers, Advantage is using its uniquely detailed analysis of customer experience from over twenty years of trading to enhance its direct marketing activities through digital means.

Meanwhile the British used car market remains very strong. Latest SMMT figures for August, saw sales transactions increase by 108% year on year and by 6.6% on pre Covid levels. These made the second quarter of 2021/22 a record with 2,167,000 used vehicles changing hands driven by significant growth in the nearly new used car market. Finally, whilst still partially constrained by supply, the new car market is now showing signs of revival. This will increase the supply of used cars and, together with a strong market and a recovering economy, further boost the markets in which Advantage operates. Brighter skies indeed

Aspen Bridging

The substantial growth and significant rebound in profits I predicted in January for Aspen, our property bridging business, is now coming to pass. Profit before tax for the half year is £1.5m against just £0.1m a year ago. Sixty-six new loan transactions were achieved in the first half, more than double the twenty-five of last year. In doing so, Aspen reached the significant milestone of 300 transactions since its founding just over four years ago.

New net loan advances reached £56.5m (H1 2020: £9.9m) in the first half and Aspen's total receivables book grew from £34.1m to £57.7m. Much of this rise was due to Aspen's successful participation in the Government's CBILS scheme, which contributed twenty-two higher-value loan transactions in the first half.

At half year, Aspen's pipeline of future business stood about 15% above budget. Although the ending of the current CBILS scheme and the Government's stamp duty "holiday", was expected to lead to a lull in the residential market, by contrast the latest Nationwide Housing Price Index shows annual price growth now at 11% year on year which, for July alone, included a 2.1% increase- the highest in fifteen years.

To take advantage of the bridging market, Aspen has boosted its sales team, introduced new products, revised its rate structure and increased the maximum loan size it offers for the highest quality customers.

Nevertheless, Aspen makes haste slowly and carefully. Less than 5% of applications reach transaction and rigorous underwriting has seen repayments this half year at 45 loans against 26 a year ago. The resulting increase in quality means only one loan is currently in default, whilst no bad debt losses have been experienced in the half year. With Aspen's excellent leadership, innovative young team and a strong residential market, we see great opportunities for growth.

Funding

Continued cash generation at Advantage, the result of a strong collections performance, was off-set in the half year by £22m of net investment in Aspen, partially in response to the CBILS scheme.

The net result for the Group is an increase in borrowing to £115m (31 July 2020: £108m) well within current facilities of £180m and giving substantial headroom for accelerated growth. Gearing during the period is now 61% (31 July 2020: 62%).

Dividend

S&U has always reflected its steady and sustainable profits growth in rewards to its shareholders. As I indicated at the full year results, it is our intention to return to approximately twice covered dividends from the 1.34 ratio of last year. In doing so we have in mind the sustainability of future dividend payments as well as their absolute level. Hence, we are pleased now to propose the first interim dividend for this year of 33p per ordinary share (2020: 22p); this will be followed, as usual, by further dividends in March and July of next year. This first dividend will be paid on the 19th November 2021 to shareholders on the register on the 29th October 2021.

Current Trading and Outlook

As the old saying goes, the finest steel goes through the hottest fire. The Covid induced tribulations of the past year have seen S&U emerge more profitable, more competitive and more attuned to our customers' needs than ever before. Add to that the buoyant markets in which we operate, our strongest ever financial base and our loyal committed workforce, and prospects for the future are bright indeed.



Anthony Coombs
Chairman
27 September 2021

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 £16,154,000 (H1 20: £6,309,000). Dividends of £8,262,000 (H1 20: £10,436,000) were paid during the period.

The Directors recommend a first interim dividend of 33.0p per share (2020: 22.0p). The dividend will be paid on the 19th November 2021 to shareholders on the register on the 29th October 2021.

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

The 2010 Long Term Incentive Plan (“LTIP”) share option scheme is now over 10 years old and no further grants can be or have been made under that LTIP.

During the six months, no new options were awarded therefore under the LTIP and no options lapsed. 11,500 options were exercised during the six months. 5,500 ordinary share options are still held under this plan as at 31 July 2021 (31 July 2020: 21,000 options and 31 January 2021: 17,000 options). 16,000 shadow share options are still held under this plan at 31 July 2021 (31 July 2020: 16,000 options and 31 January 2021: 16,000 options).

In the six months to 31 July 2021 the charge for these future share-based payments was £19,000 (H1 20: £45,000).

Further to a review by the Remuneration Committee, a new Long-term incentive plan allowing shadow share options which can only be cash settled and therefore do not dilute current shareholders, was approved at the AGM in May 2021. Share-based awards are now being made only under that cash settled shadow share option scheme.

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 2021.

STATEMENT OF GOING CONCERN

The Directors have considered the principal risks and uncertainties set out below and up to date information on the Covid situation 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 impact of the Covid pandemic and the market, government, regulator and business actions surrounding it has eased for consumers in the UK. It remains 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 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 although there may be a further impact from the end of the government furlough scheme in the second half of this year. Advantage historically has been resilient through adverse macroeconomic conditions.

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 values have been strong and may come under pressure in particular as the supply situation for new vehicles improves. Our 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 which is sensible as property market values are likely to become less buoyant now stamp duty relief is ending; currently market values are still robust.

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 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. 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 S&U Plc (“the Company”) to review the interim financial information for the six month period ended 31 July 2021 which comprise 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 interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board and our Engagement Letter dated 3 August 2021. Our work has been undertaken so that we might state to the Company those matters we are required to state to them 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.

Respective responsibilities of directors and auditor

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the consolidated financial information in the interim 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 consolidated financial information in the interim report does not give a true and fair view of the financial position of the Company as at 31 July 2021 and of its financial performance and its cash flows for the six months then ended, in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the United Kingdom and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Mazars LLP

Chartered Accountants

Tower Bridge House, St Katharine’s Way, London, E1W 1DD

27 September 2021

Notes:

- (a) The maintenance and integrity of the S&U Plc web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

S&U PLC GROUP
CONSOLIDATED INCOME STATEMENT
Six months ended 31 July 2021

	Note	Unaudited Six months ended 31.7.21 £'000	Unaudited Six months ended 31.7.20 £'000	Audited Financial year ended 31.1.21 £'000
Revenue	2	42,813	42,827	83,761
Cost of Sales	3	(14,216)	(28,822)	(50,969)
Gross Profit		28,597	14,005	32,792
Administrative expenses		(6,875)	(5,707)	(11,096)
Operating profit		21,722	8,298	21,696
Finance costs (net)		(1,778)	(1,989)	(3,568)
Profit before taxation	2	19,944	6,309	18,128
Taxation	4	(3,790)	(1,225)	(3,482)
Profit for the period attributable to equity holders		16,154	5,084	14,646
Earnings per share				
Basic	5	133.1p	41.9p	120.7p
Diluted	5	133.0p	41.9p	120.7p

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31.7.21 £'000	Unaudited Six months ended 31.7.20 £'000	Audited Financial year ended 31.1.21 £'000
Profit for the year	16,154	5,084	14,646
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	-	(9)
Total Comprehensive Income for the period	16,154	5,084	14,637

Items above will not be reclassified subsequently to the Income Statement

CONSOLIDATED BALANCE SHEET

As at 31 July 2021

	Note	Unaudited 31.7.21 £'000	Unaudited 31.7.20 £'000	Audited 31.1.21 £'000
ASSETS				
Non current assets				
Property, plant and equipment		2,597	2,812	2,713
Amounts receivable from customers	7	174,489	185,315	170,591
Deferred tax assets		102	54	109
		<u>177,188</u>	<u>188,181</u>	<u>173,413</u>
Current assets				
Amounts receivable from customers	7	131,928	96,591	110,319
Trade and other receivables		1,977	2,155	1,106
Cash and cash equivalents		1	42	1
		<u>133,906</u>	<u>98,788</u>	<u>111,426</u>
		<u>311,094</u>	<u>286,969</u>	<u>284,839</u>
Total assets				
LIABILITIES				
Current liabilities				
Bank overdrafts and loans		(1,567)	-	(1,295)
Trade and other payables		(3,721)	(2,866)	(2,763)
Tax liabilities		(1,778)	(454)	(593)
Accruals		(687)	(503)	(658)
		<u>(7,753)</u>	<u>(3,823)</u>	<u>(5,309)</u>
Non current liabilities				
Borrowings	9	(113,500)	(108,000)	(97,500)
Lease liabilities		(468)	(590)	(551)
Financial liabilities		(450)	(450)	(450)
		<u>(114,418)</u>	<u>(109,040)</u>	<u>(98,501)</u>
		<u>(122,171)</u>	<u>(112,863)</u>	<u>(103,810)</u>
Total liabilities				
NET ASSETS				
		<u>188,923</u>	<u>174,106</u>	<u>181,029</u>
Equity				
Called up share capital		1,718	1,717	1,717
Share premium account		2,301	2,301	2,301
Profit and loss account		184,904	170,088	177,011
		<u>188,923</u>	<u>174,106</u>	<u>181,029</u>
TOTAL EQUITY				

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 2021

	Unaudited Called up share capital £'000	Unaudited Share premium account £'000	Unaudited Profit and loss account £'000	Unaudited Total equity £'000
At 1 February 2020	<u>1,715</u>	<u>2,301</u>	<u>175,458</u>	<u>179,474</u>
Profit for six month period	-	-	5,084	5,084
Other comprehensive income for six month period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for six month period	-	-	5,084	5,084
Issue of new shares in year	2	-	0	2
Cost of future share based payments	-	-	45	45
Tax credit on equity items	-	-	(63)	(63)
Dividends	-	-	(10,436)	(10,436)
At 31 July 2020	<u>1,717</u>	<u>2,301</u>	<u>170,088</u>	<u>174,106</u>
Profit for six month period	-	-	9,562	9,562
Other comprehensive income for six month period	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(9)</u>
Total comprehensive income for six month period	-	-	9,553	9,553
Issue of new shares in year	-	-	-	0
Cost of future share based payments	-	-	30	30
Tax charge on equity items	-	-	2	2
Dividends	-	-	(2,662)	(2,662)
At 31 January 2021	<u>1,717</u>	<u>2,301</u>	<u>177,011</u>	<u>181,029</u>
Profit for six month period	-	-	16,154	16,154
Other comprehensive income for six month period	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>
Total comprehensive income for six month period	-	-	16,154	16,154
Issue of new shares in year	1	-	-	1
Cost of future share based payments	-	-	19	19
Tax charge on equity items	-	-	(18)	(18)
Dividends	-	-	(8,262)	(8,262)
At 31 July 2021	<u>1,718</u>	<u>2,301</u>	<u>184,904</u>	<u>188,923</u>

CONSOLIDATED CASH FLOW STATEMENT
Six months ended 31 July 2021

	Note	Unaudited Six months ended 31.7.21 £'000	Unaudited Six months ended 31.7.20 £'000	Audited Financial year ended 31.1.21 £'000
Net cash (used in)/from operating activities	8	(7,776)	20,919	32,940
Cash flows used in investing activities				
Proceeds on disposal of property, plant and equipment		28	83	103
Purchases of property, plant and equipment		(180)	(1,039)	(1,215)
Net cash used in investing activities		<u>(152)</u>	<u>(956)</u>	<u>(1,112)</u>
Cash flows (used in)/from financing activities				
Dividends paid		(8,262)	(10,436)	(13,098)
Issue of new shares		1	2	2
Receipt of new borrowings		16,000	14,500	4,000
Repayment of borrowings		-	(25,000)	(25,000)
(Decrease)/increase in lease liabilities		(83)	357	318
Net increase in overdraft		272	-	1,295
Net cash from/(used in) financing activities		<u>7,928</u>	<u>(20,577)</u>	<u>(32,483)</u>
Net decrease in cash and cash equivalents		0	(614)	(655)
Cash and cash equivalents at the beginning of period		<u>1</u>	<u>656</u>	<u>656</u>
Cash and cash equivalents at the end of period		<u>1</u>	<u>42</u>	<u>1</u>
Cash and cash equivalents comprise				
Cash and cash in bank		<u>1</u>	<u>42</u>	<u>1</u>

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2021

1. PREPARATION AND KEY 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

The financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards.

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 2021.

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 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 during 2021. 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. For lease agreements in Advantage Finance which are classified as credit impaired (ie stage 3 assets under IFRS9), the group recognises revenue 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9 and also with the treatment for similar assets in Aspen.

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2021

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 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.

During 2020, the Government announced a debt repayment moratoria that allowed customers to obtain up to 6 month payment holidays on loans and leases due to the economic impact of the Covid pandemic. Where our customers have taken these 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:

Class of business	Revenue		
	Six months ended	Six months ended	Financial year ended
	31.7.21	31.7.20	31.1.21
	£'000	£'000	£'000
Motor finance	38,583	41,187	85,465
Property Bridging finance	4,230	1,640	4,474
Revenue	<u>42,813</u>	<u>42,827</u>	<u>89,939</u>

Class of business	Profit before taxation		
	Six months ended	Six months ended	Financial year ended
	31.7.21	31.7.20	31.1.21
	£'000	£'000	£'000
Motor finance	18,455	6,139	17,198
Property Bridging finance	1,529	118	813
Central costs income	(40)	52	117
Profit before taxation	<u>19,944</u>	<u>6,309</u>	<u>18,128</u>

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2021

3. COST OF SALES

	Six months ended 31.7.21 £'000	Six months ended 31.7.20 £'000	Financial year ended 31.1.21 £'000
Loan loss provisioning charge – motor finance	4,868	21,369	35,995
Loan loss provisioning charge – property bridging finance	<u>223</u>	<u>307</u>	<u>710</u>
Total loan loss provisioning charge	5,091	21,676	36,705
Other cost of sales – motor finance	8,345	6,907	13,586
Other cost of sales – property bridging finance	780	239	678
Total cost of sales	<u><u>14,216</u></u>	<u><u>28,822</u></u>	<u><u>50,969</u></u>

4. TAXATION

The tax charge for the period has been calculated by applying the estimated effective tax rate for the period of 19.0% (31 July 2020: 19.4% and 31 January 2021: 19.0%) 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 £16,154,000 (period ended 31 July 2020: £5,084,000 and year ended 31 January 2021: £14,646,000).

The number of shares used in the basic calculation is the average number of ordinary shares in issue during the period of 12,140,558 (period ended 31 July 2020: 12,125,290 and year ended 31 January 2021: 12,129,768).

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 25.0p per ordinary share and a final dividend of 43.0p per ordinary share for the financial year ended 31 January 2021 were paid during the six month period to 31 July 2021 (total of 68.0p per ordinary share). This compares to 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 which were paid during the 6 months period to 31 July 2020 (total of 86.0p per ordinary share). During the twelve months to 31 January 2021 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 33.0p per share (2020: 22.0p per share). The first interim dividend, which amounts to approximately £4,008,000 (2020: £2,671,000), will be paid on 19 November 2021 to shareholders on the register at 29 October 2021. The shares will be quoted ex dividend on 28 October 2021. The interim financial information does not include this proposed dividend as it was declared after the balance sheet date.

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2021

7. ANALYSIS AMOUNTS RECEIVABLE FROM CUSTOMERS

All operations are situated in the United Kingdom.

	Six months ended 31.7.21 £'000	Six months ended 31.7.20 £'000	Financial year ended 31.1.21 £'000
Motor Finance			
Amounts receivable from customers (capital)	341,736	343,370	339,349
Less: Loan loss provision for motor finance	(92,985)	(79,918)	(92,583)
Motor Finance net amounts receivable from customers	<u>248,751</u>	<u>263,452</u>	<u>246,766</u>
Property Bridging Finance			
Amounts receivable from customers (capital)	58,220	19,235	34,475
Less: Loan loss provision for property bridging	(554)	(781)	(331)
Property bridging net amounts receivable from customers	<u>57,666</u>	<u>18,454</u>	<u>34,144</u>
Total net amounts receivable from customers	<u>306,417</u>	<u>281,906</u>	<u>280,910</u>
Analysed as - due within one year	131,928	96,591	110,319
- due in more than one year	174,489	185,315	170,591
Amounts receivable from customers (net)	<u>306,417</u>	<u>281,906</u>	<u>280,910</u>

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

	Not credit Impaired Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Credit Impaired Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
As at 31 July 2021					
Motor finance	(18,282)	(11,065)	(63,638)	(92,985)	341,736
Property bridging finance	(498)	-	(56)	(554)	58,220
Total	<u>(18,780)</u>	<u>(11,065)</u>	<u>(63,694)</u>	<u>(93,539)</u>	<u>399,956</u>
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	<u>(13,664)</u>	<u>(147)</u>	<u>(66,888)</u>	<u>(80,699)</u>	<u>362,605</u>
As at 31 January 2021					
Motor finance	(14,367)	(12,759)	(65,457)	(92,583)	339,439
Property bridging finance	(313)	-	(18)	(331)	34,475
Total	<u>(14,680)</u>	<u>(12,759)</u>	<u>(65,475)</u>	<u>(92,914)</u>	<u>373,914</u>

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2021

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

	Six months ended 31.7.21 £'000	Six months ended 31.7.20 £'000	Financial year ended 31.1.21 £'000
Operating Profit	21,722	8,298	21,696
Finance costs paid	(1,778)	(1,989)	(3,610)
Finance income received	0	0	42
Tax paid	(2,616)	(4,491)	(6,662)
Depreciation on plant, property and equipment	268	252	520
Loss on disposal of plant, property and equipment	0	0	(13)
(Increase)/decrease in amounts receivable from customers	(25,507)	19,844	20,840
(Increase)/decrease in trade and other receivables	(871)	(682)	367
Increase/(decrease) in trade and other payables	958	(260)	(363)
Increase/(decrease) in accruals and deferred income	29	(98)	57
Increase in cost of future share based payments	19	45	75
Movement in retirement benefit asset/obligations	-	-	(9)
	<hr/>	<hr/>	<hr/>
Net cash (used in)/from operating activities	<u>(7,776)</u>	<u>20,919</u>	<u>32,940</u>

9. BORROWINGS

Movements in our loans and overdrafts for the respective periods are shown in the consolidated cash flow statement. The period end borrowings has increased to £115m. During the 6 months to 31 July 2021, the £25m term loan facility due for repayment in April 2022 was replaced with a term loan facility for £50m - £25m of the new facility is due for repayment in March 2028 and £25m is due for repayment in March 2029. The maturity on our £60m revolving credit facility was extended to March 2024 and a new revolving credit facility for £25m due for repayment in March 2026 was also put in place. Committed borrowing facilities were £180m at 31 July 2021 (31 July 2020: £130m and 31 January 2021: £130m) plus at 31 July 2021 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 £51,000 (6 months to July 2020: £48,000; year to January 2021: £94,500) 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 2020: £nil; January 2021 £nil). During the six months the Group obtained supplies amounting to £3,913 (6 months to July 2020: £3,693; year to January 2021: £3,693) 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 2020: £nil; January 2021 £nil). All related party transactions were settled in full.

11. INTERIM REPORT

The information for the year ended 31 January 2021 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.