

## S&U PLC

### Providers of Consumer Credit & Motor Finance

#### INTERIM RESULTS FOR THE SIX MONTHS ENDED 31<sup>st</sup> JULY 2008

##### Financial Highlights:

- Revenue broadly maintained as expected at £22.7m (2007: £22.9m).
- Profit before tax and exceptionals up 7.5% to £5.0m (2007: £4.6m).
- Earnings per share up 3% to 28.3p (27.5p).
- Interim dividend declared 9p unchanged; well covered by earnings.
- Strong balance sheet:
  - Net assets increased by 6% to £42.9m at the period end (31 July 2007: £40.6m)
  - Group gearing reduced to 75% and finance costs and borrowing stable.
  - £38m bank facilities provide sufficient headroom, with just £32m drawn down at the period end.

##### Operational Highlights:

- Stable collections and improved impairment in Home Credit.
- Strong demand for Motor Finance and tightened underwriting as applications rise by 31%.
- Appointed Mike Mullins, General Manager of our S&U division, to the Board.

##### Current trading and outlook

- Current trading is in line with market expectations.
- Early signs from our new business initiatives are encouraging.
- Outlook promising despite slowing economy.

Anthony Coombs, Chairman of S&U plc commented:

“These are good results which reflect the solidity and traditionally prudent management of our Home Credit and Motor Finance businesses. At a time of significant market instability, we believe that S&U’s record of sustainable earnings, excellent yield and a strong balance sheet are a sound basis for the continued delivery of shareholder value, despite the slowing economy”.



Further growth depends upon both trading more intensively with existing customers and attracting new ones. Tighter credit elsewhere has undoubtedly added to our customers' appreciation of, and reliance upon, the home service we offer. Our ability to trade with them is expected to improve as a result.

Attracting new customers requires a clear and consistent message. We are therefore integrating our three home credit businesses into one, which will trade as loansathome4u. All customer marketing will now be controlled centrally. This will mean that it is both more effective and targeted and will enable close links with our new loansathome4u.co.uk web site which has already attracted over 200 new customer applications per week within 6 weeks of its launch. Central marketing combined with our traditional local delivery and credit management will increase our loyal customer base.

We also continue to refine our loan products. We are well ranked on the new lenderscompared.org.uk home credit price comparison website and have maintained gross margins despite new higher statutory early settlement rebates. We propose to extend our product range to home credit customers through the introduction of a prepaid debit card in the Autumn.

#### Motor Finance

- Credit quality strong and improving.
- Applications up 31% leading to an 8% increase in advances.
- Tight underwriting – credit hurdles raised three times.

Advantage, our motor finance business, continues to make good progress in a consolidated market. Receivables are up 11% on last year at £49.6m (2007: £44.7m) whilst revenue in the first half has seen a similar increase at just over £7.0m (2007: £6.4m). Profit continues to beat budget at a post exceptional £1.5m (2007: £1.2m) for the first half year. Such progress justifies our additional investment in the business of £2.5m over the half year; this is partly the result of higher volumes, of a slightly higher average loan advance which attracts both better quality customers and vehicles, and of lower than anticipated early settlements as customers trade on less often. As usual, the second half should be more cash generative whilst tight collecting should ensure profit reaching record levels for the ninth successive year.

We continue to collect out our Communitas second mortgage book where net amounts receivable from customers stand at £1.6m against £2.5m last year. Despite the travails of the residential property market, repayment quality remains robust and of negligible significance to our profit and loss accounts.

Our expertise in remote telephone and internet based debt management, backed by our ability to maintain contact with customers at home, offers opportunities for both internet lending and third party debt purchase. We will take advantage of these as they arise.

#### Funding

Our balance sheet remains strong. Having secured £16m of 5 year funding earlier this year, we anticipate a similar arrangement for £10m of facilities which mature next year. Our overall gearing ratio has fallen to 75% and our cash generation remains strong. The year to year difference in net cash generated from our operating activities over the first half is almost entirely due to a corporation tax credit received last year on the introduction of IFRS accounting changes.

Our current bank facilities stand at just under £38m allowing sufficient headroom above our current £32m of borrowing for both organic growth and for acquisitions.

#### Board & Adviser Appointments

I am delighted to announce the appointment to the Board as an executive director of Mike Mullins, currently General Manager of our S&U home credit subsidiary. Mike joined S&U as a Representative 15 years ago and his progress within the company both reflects his considerable achievements and abilities and the pool of talent now developing within our Group.

We appointed a new broker and financial adviser, Charles Stanley, on 24 June 2008 with whom S&U aims to garner and nurture a wider shareholder base over the next three years.

Current Trading and Outlook

These are good results which reflect the solidity and traditionally prudent management of our Home Credit and Motor Finance businesses.

Current trading is in line with market expectations and early signs from our new business initiatives are encouraging. Our strong and substantial earnings will be reflected in a progressive but prudent dividend policy.

At a time of significant market instability, we believe that S&U's record of sustainable earnings, excellent yield and a strong balance sheet are a sound basis for the continued delivery of shareholder value, despite the slowing economy.

**Anthony Coombs**

**Chairman**

## **INTERIM MANAGEMENT REPORT**

To the members of S&U plc

This interim management report has been prepared solely to provide additional information to shareholders as a body to assess the company's strategies and should not be relied on by any other party or for any other purpose. This interim management report contains forward-looking statements which;

- have been made by the directors in good faith based on the information available to them up to the time of their approval of this report; and
- should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking information.

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 group continues to be that of consumer credit and car finance throughout England, Wales and Scotland.

## **BUSINESS REVIEW, RESULTS AND DIVIDENDS**

A review of developments during the six months together with key performance indicators and future prospects is given in the Chairman's Statement on page 1. Our strategy continues to be to develop and increase mutually beneficial customer relationships in the niche consumer and motor finance markets. At the end of July, customer numbers are almost unchanged year on year, reflecting last year's consolidation in our Scottish operations, offset by controlled customer recruitment activity this year including our new loansathome4u website.

There are no significant post balance sheet events to report. The second half of our financial year typically sees an increase in our loan advances due to seasonal Christmas lending, most of the revenue from which is earned in the first half of the next financial year. Trade creditor days for the group for the six months ended 31 July 2008 were 54 days (for the period ended 31 July 2007 – 54 days and for the year ended 31 January 2008 – 52 days).

The group's profit on ordinary activities after taxation was £3,326,000 (2007 - £3,228,000). Dividends of £2,706,000 (2007 - £2,706,000) were paid during the year.

The directors recommend an interim dividend, subject to shareholders approval of 9.0p per share (2007 – 9.0p).

## **RELATED PARTY TRANSACTIONS**

Related party transactions are disclosed in note 12 of these financial statements.

## **SHARE OPTION SCHEME**

The S&U Plc 2008 Discretionary Share Option Plan was approved by shareholders and by HM Revenue and Customs. In June 2008 options for 10,000 shares were awarded to certain key executives and will vest in June 2011 providing they remain with the company. Under IFRS2, the effect of these options is not considered material and no values have been included in these interim statements.

## **CHANGES IN ACCOUNTING POLICIES**

In the current financial year, there are no planned changes in accounting policies

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The group is involved in the provision of consumer credit and a key risk for the group is the credit risk inherent in amounts receivable from customers which is principally controlled through our credit control and collection activities supported by ongoing reviews for impairment. The group is also subject to legislative and regulatory change within the consumer credit sector. The group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings.

**Anthony MV Coombs**

**Chairman**

## **RESPONSIBILITY STATEMENT**

We confirm that to the best of our knowledge:

- a) the set of financial statements has been prepared in accordance with IAS 34;
- 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

C Redford

Secretary

25 September 2008

## **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 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 13. 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 2410 issued by the Auditing Practices Board. 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.

### **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 Services 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 Auditing Practices Board 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 Ireland) 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 2008 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 Services Authority.

### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor

25 September 2008

Birmingham, UK

## CONSOLIDATED INCOME STATEMENT

Six months ended 31 July 2008

	Note	Unaudited Six months ended 31.7.08 £000	Unaudited Six months ended 31.7.07 £000	Audited Financial year ended 31.1.08 £000
Revenue	2	22,699	22,859	45,978
Cost of sales	3	(6,992)	(7,666)	(15,694)
<b>Gross profit</b>		<b>15,707</b>	<b>15,193</b>	<b>30,284</b>
Administrative expenses		(9,763)	(9,625)	(19,408)
Exceptional remuneration	4	(300)	-	-
<b>Operating profit</b>		<b>5,644</b>	<b>5,568</b>	<b>10,876</b>
Finance costs		(991)	(960)	(2,298)
<b>Profit before taxation</b>	2	<b>4,653</b>	<b>4,608</b>	<b>8,578</b>
Taxation	5	(1,327)	(1,380)	(2,613)
<b>Profit for the period</b>		<b>3,326</b>	<b>3,228</b>	<b>5,965</b>
<b>Earnings per share basic and diluted</b>	6	<b>28.3p</b>	<b>27.5p</b>	<b>50.8p</b>

All activities and earnings per share derive from continuing operations.

### STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited Six months ended 31.7.08 £000	Unaudited Six months ended 31.7.07 £000	Audited Financial year ended 31.1.08 £000
<b>Profit for the Period</b>	3,326	3,228	5,965
Actuarial gain on defined benefit pension scheme	-	-	(18)
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>	<b>3,326</b>	<b>3,228</b>	<b>5,947</b>

## CONSOLIDATED BALANCE SHEET

31 July 2008

	Note	Unaudited3 1.7.08 £000	Unaudited3 1.7.07 £000	Audited 31.1.08 £000
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment		2,193	2,278	2,233
Amounts receivable from customers	8	26,524	23,972	24,784
Derivative financial instrument		27	173	-
Retirement benefit asset		40	40	40
		<u>28,784</u>	<u>26,463</u>	<u>27,057</u>
<b>Current assets</b>				
Inventories		99	144	155
Amounts receivable from customers	8	49,840	49,367	50,110
Trade and other receivables		860	825	663
Cash and cash equivalents		5	6	11
		<u>50,804</u>	<u>50,342</u>	<u>50,939</u>
<b>Total assets</b>		<u>79,588</u>	<u>76,805</u>	<u>77,996</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdrafts and loans		(16,290)	(11,897)	(9,683)
Trade and other payables		(1,237)	(981)	(938)
Tax liabilities		(1,552)	(1,526)	(1,565)
Accruals and deferred income		(1,076)	(1,195)	(1,360)
		<u>(20,155)</u>	<u>(15,599)</u>	<u>(13,546)</u>
<b>Non current liabilities</b>				
Bank loans		(16,000)	(20,000)	(21,600)
Deferred tax liabilities		(80)	(130)	(80)
Financial liabilities		(450)	(450)	(450)
Derivative financial instrument		-	-	(37)
		<u>(16,530)</u>	<u>(20,580)</u>	<u>(22,167)</u>
<b>Total liabilities</b>		<u>(36,685)</u>	<u>(36,179)</u>	<u>(35,713)</u>
<b>NET ASSETS</b>				
		<u>42,903</u>	<u>40,626</u>	<u>42,283</u>
<b>Equity</b>				
Called up share capital		1,667	1,667	1,667
Share premium account		2,136	2,136	2,136
Profit and loss account		39,100	36,823	38,480
		<u>42,903</u>	<u>40,626</u>	<u>42,283</u>
<b>TOTAL EQUITY</b>	9	<u>42,903</u>	<u>40,626</u>	<u>42,283</u>

These interim statements were approved by the Board of Directors on 25 September 2008. Signed on behalf of the Board of Directors

AMV COOMBS

GDC COOMBS

## CONSOLIDATED CASH FLOW STATEMENT

Six months ended 31 July 2008

	Note	Unaudited Six months ended 31.7.08 £000	Unaudited Six months ended 31.7.07 £000	Audited Financial year ended 31.1.08 £000
<b>Net cash from operating activities</b>	10	1,891	2,696	4,596
<b>Cash flows from investing activities</b>				
Proceeds on disposal of property, plant and equipment		102	44	91
Purchases of property, plant and equipment		(300)	(283)	(549)
Net cash used in investing activities		(198)	(239)	(458)
<b>Cash flows from financing activities</b>				
Dividends paid		(2,706)	(2,706)	(3,768)
Repayment of borrowings		(10,380)	-	-
Issue of new borrowings		16,000	-	1,600
Net (decrease)/increase in overdraft		(4,613)	250	(1,964)
Net cash used in financing activities		(1,699)	(2,456)	(4,132)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(6)	1	(6)
<b>Cash and cash equivalents at the beginning of the period</b>		11	5	5
<b>Cash and cash equivalents at the end of the period</b>		5	6	11
Cash and cash equivalents comprise				
Cash and cash in bank		5	6	11

## NOTES TO THE INTERIM STATEMENTS

### Six months ended 31 July 2008

#### 1. ACCOUNTING POLICIES

##### 1.1 General Information

S&U plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in note 13 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 IAS34 '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<sup>st</sup> July 2008.

##### Change in accounting policies

There are no planned changes in accounting policies this year.

#### 2. ANALYSES OF REVENUE AND PROFIT BEFORE TAXATION

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

Class of business	← Revenue →		
	Six months ended 31.7.08 £000	Six months ended 31.7.07 £000	Financial year ended 31.1.08 £000
Consumer credit, rentals and other retail trading	15,654	16,472	33,120
Car finance	7,045	6,387	12,858
	22,699	22,859	45,978
	22,699	22,859	45,978

Class of business	← Profit before taxation →		
	Six months ended 31.7.08 £000	Six months ended 31.7.07 £000	Financial year ended 31.1.08 £000
Consumer credit, rentals and other retail trading	3,153	3,381	5,965
Car finance	1,500	1,227	2,613
	4,653	4,608	8,578
	4,653	4,608	8,578

For the purposes of this analysis the exceptional item of £300,000 has been attributed to consumer credit, rentals and other retail trading etc £200,000 and car finance £100,000.

**NOTES TO THE INTERIM STATEMENTS**  
**Six months ended 31 July 2008**

**3. COST OF SALES**

	<b>Six months ended 31.7.08 £000</b>	<b>Six months ended 31.7.07 £000</b>	<b>Financial year ended 31.1.08 £000</b>
Loan loss provisioning charge – consumer credit	3,025	3,710	7,822
Loan loss provisioning charge – car finance	2,154	2,155	4,087
	<hr/>	<hr/>	<hr/>
Loan loss provisioning charge	5,179	5,865	11,909
Other cost of sales	1,813	1,801	3,785
	<hr/>	<hr/>	<hr/>
	<b>6,992</b>	<b>7,666</b>	<b>15,694</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**4. EXCEPTIONAL REMUNERATION**

On 16<sup>th</sup> May 2008 after 30 years serving as Chairman of the company, Mr DM Coombs retired as Chairman and resigned as a director to take up the non-board position as president of the company. The board agreed to make a one off payment of £300,000 to Mr Coombs which is shown as an exceptional item in the six month period to 31<sup>st</sup> July 2008.

**5. TAXATION**

The actual tax charge for the period has been calculated by applying the estimated effective tax rate for the year of 28.5% (31<sup>st</sup> July 2007 and 31<sup>st</sup> January 2008 30.0%) to the profit before taxation for the six months.

**6. EARNINGS PER ORDINARY SHARE**

The calculation of earnings per Ordinary share is based on profit for the period of £3,326,000 (for the period ended 31 July 2007 - £3,228,000 and the year ended 31 January 2008 - £5,965,000).

The number of shares used in the calculation is the average number of shares in issue during the period of 11,737,228 (for the period ended 31 July 2007 and the year ended 31 January 2008 – 11,737,228).

Diluted earnings per share is the same as basic earnings per share as the dilutive impact of share options is immaterial.

**7. DIVIDENDS**

A final dividend of 23p per ordinary share for the financial year ended 31<sup>st</sup> January 2008 (23p for the financial year 31<sup>st</sup> January 2007) was paid during the 6 months period to 31<sup>st</sup> July 2008 (31<sup>st</sup> July 2007). This compares to a final dividend of 23p per ordinary share for the financial year ended 31<sup>st</sup> January 2007 and an interim dividend of 9p which were both paid during the 12 months to 31<sup>st</sup> January 2008. These distributions are shown in note 9 of this interim financial information.

The directors have also declared an interim dividend of 9p per share (2007: 9p per share). The dividend, which amounts to approximately £1,056,000 (July 2007: £1,056,000), will be paid on 7 November 2008 to shareholders on the register at 10 October 2008. The shares will be quoted ex dividend on 8 October 2008. 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 2008

### 8. ANALYSIS OF AMOUNTS RECEIVABLE FROM CUSTOMERS

All operations are situated in the United Kingdom.

	← Amounts Receivable →		
	Six months ended 31.7.08 £000	Six months ended 31.7.07 £000	Financial year ended 31.1.08 £000
Class of business			
Consumer credit, rentals and other retail trading	53,232	54,675	55,412
Car finance	49,569	44,673	46,365
	<u>102,801</u>	<u>99,348</u>	<u>101,777</u>
Less: Loan loss provision for consumer credit	(15,773)	(15,854)	(16,452)
Less: Loan loss provision for car finance	(10,664)	(10,155)	(10,431)
	<u>76,364</u>	<u>73,339</u>	<u>74,894</u>
Analysed as:- due within one year	49,840	49,367	50,110
- due in more than one year	26,524	23,972	24,784
	<u>76,364</u>	<u>73,339</u>	<u>74,894</u>

### 9. ANALYSIS OF CHANGES IN TOTAL EQUITY

	Six months ended 31.7.08 £000	Six months ended 31.7.07 £000	Financial year ended 31.1.08 £000
Total recognised income and expense for the period	3,326	3,228	5,947
Dividends paid	(2,706)	(2,706)	(3,768)
	<u>620</u>	<u>522</u>	<u>2,179</u>
Net addition to total equity	620	522	2,179
Opening total equity	42,283	40,104	40,104
	<u>42,903</u>	<u>40,626</u>	<u>42,283</u>
Closing total equity	42,903	40,626	42,283

## NOTES TO THE INTERIM STATEMENTS

Six months ended 31 July 2008

### 10. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOW FROM OPERATING ACTIVITIES

	Six months ended 31.7.08 £000	Six months ended 31.7.07 £000	Financial year ended 31.1.08 £000
Operating Profit	5,644	5,568	10,876
Finance costs paid	(1,237)	(1,040)	(2,176)
Finance income received	-	-	8
Tax paid	(1,340)	(721)	(1,965)
Depreciation on plant, property and equipment	230	234	478
Loss on disposal on plant, property and equipment	8	7	27
(Increase) in amounts receivable from customers	(1,470)	(1,318)	(2,873)
Decrease in inventories	56	32	21
(Increase)/decrease in trade and other receivables	(197)	(41)	121
Increase/(decrease) in trade and other payables	299	3	(40)
Increase/(decrease) in accruals and deferred income	(102)	(28)	137
(Decrease) in retirement benefit obligations	-	-	(18)
	<hr/>	<hr/>	<hr/>
Cash flow from operating activities	1,891	2,696	4,596
	<hr/>	<hr/>	<hr/>

### 11. BANK OVERDRAFTS AND LOANS

Movements in our bank loans and overdrafts for the respective periods are shown in the cash flow statement. In April 2008 S&U plc replaced the £10m overdraft facility and £10m of its bank loans due to mature in 2009 with a £6m overdraft facility and a £16m five year term loan facility due to mature in April 2013. A further loan facility for £10m and a loan facility of £1.22m are due to mature in June 2009 and September 2009 respectively. The directors expect these to be renewed.

### 12. 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 obtained supplies amounting to £11,079 (6 months to July 2007 £5,882; year to Jan 2008 £8,678) from Grevayne Properties Limited a company which is a related party because Messrs GDC and AMV Coombs are directors and shareholders. The amount due to Grevayne Properties Limited at the half year end was £1,809 (July 2007 £nil; Jan 2008 £nil). During the six months the group also sold vehicles to Mr DM Coombs for £60,592, being a fair estimate of market value.

### 13. INTERIM REPORT

The figures for the year ended 31 January 2008 do not constitute statutory accounts and are extracted from the audited accounts for that period, on which the auditors to the group have issued an unqualified audit report which did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 and which have now been delivered to the Registrar of Companies.

A copy of this Interim Report will be posted to all shareholders and will be made available to the public on our website at [www.suplc.co.uk](http://www.suplc.co.uk) and at the Company's registered office at Royal House, Prince's Gate, Solihull, B913QQ.