

S&U PLC



INTERIM REPORT

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Chairman's Statement

The results for the half year ended the 31 July 2004 are very encouraging. Profits before tax are £4,914,000 against £4,206,000 for the previous half year – a rise of 16.8%. Business transacted totalled £45,643,000 compared to £41,478,000 for the comparable period last year.

The earnings per share have increased to 28.7 pence compared with 24.5 pence. Our traditional home collected business has performed well. Operating profits in that division have increased from £3,306,000 to £3,917,000 and we look forward to a successful outcome for the year as a whole.

Advantage Finance, our motor car finance subsidiary, which I launched from scratch some five years ago in July 1999, made a significant advance in profit before tax for the half year from £768,000 to £1,096,000.

Advantage has proved outstandingly successful and is trading ahead of budget which is very encouraging indeed. In addition, Advantage has increased its deferred revenue from £8.0m to £10.4m.

The interim dividend is increased to 9p per Ordinary Share, compared with 8p this time last year. This will be paid on the 12 November 2004 to ordinary shareholders who are on the register on the 15 October 2004. The shares will go ex-dividend on the 13 October 2004.

The business as a whole is now offering considerable growth prospects for future years.

D M Coombs
Chairman

16 September 2004

Managing Director's Statement

My confidence in February in the general and economic environment and in the ability of S & U to take advantage of it has been rewarded by our results for the half-year which show a significant increase in profitability on higher turnover and augur well for the full year. Operating profit show an increase of almost a quarter on last year on turnover up by nearly 9%. These figures exceed our budgets and all four subsidiaries have contributed to them. Indeed profits at three, S D Taylor and Wilson Topholme from Home Credit and Advantage Finance from Motor Finance were a record for a first half-year.

Although the current economic environment is buoyant, slowing consumer confidence and an increasingly active consumer credit regulatory environment will both be features of the second half. We will therefore continue to maintain rigorous standards of underwriting in all our businesses and strict monitoring of our collections performance. In both home credit and motor finance we build the business through our tried and tested customers and through carefully selected trade acquisitions, particularly in the consolidating home credit field.

In the first half our home credit operating profit rose nearly 20% over the last year. New branches have been opened or are imminent in Barnstaple, Lockerbie, and Grimsby. Productivity both in terms of sales and profit per Representative continues to grow. Bad debt remains within budget and our internal audit team has been augmented – both measures which protect and reflect the quality of our business. In the past six months our Home Credit business has been able to capitalise on the chance to acquire businesses from our competitors, both large and small, where the quality of book debt and geographical potential justifies it. We anticipate that further opportunities will emerge as the industry consolidates, partly due to the new regulations mentioned below; these will augment our organic growth and improve our branch network.

Advantage, our motor finance business, goes from strength to strength. With turnover up over 20%, the company produced record profits at half-year up 40% and slightly above budget. It is encouraging that most of this increase in business comes from deepened relationships with our key dealers which impacts both upon efficiency and the subsequent quality of our revenue. Indeed for the first time ever Advantage achieved over £1m of collections (excluding settlements) every month this year. New products have been introduced, brokerage income increased and insurance accreditation obtained so as to improve still further the overall finance package we offer our dealers. I anticipate further growth in the second half of the year.

Financially the position of your Group remains strong. The current gearing is still 65% whilst borrowings at £25m are both stable and leave ample room within existing facilities for future acquisitions and the Group's organic growth. As mentioned in my year end report, we have restructured the facilities to include £20m 5-year bank loans strengthening our balance sheet and reflecting the core borrowing required for our Advantage Motor Finance business.

Overshadowing the sound progress being made by the Group has been the recent spate of Government and consumerist initiatives on credit. We welcome the Government's legitimate agenda for promoting financial inclusion and the kind of responsible lending evidenced by the very long standing relationships we enjoy with our customers. Despite increasing the burden of compliance particularly on the smaller companies in our sector, the forthcoming changes to The Consumer Credit Act are broadly acceptable. Provided they are interpreted with common sense, then new regulations and new licensing and fair trading regime envisaged should be manageable by the industry.

However, it is regrettable that this legitimate Government agenda could be in some danger of hijack by a small number of activists, purporting to represent consumer interests, but who are as ideologically antipathetic to the industry as they are apparently ignorant of the wishes of the customers we have served for over 50 years. The constant stream of so called initiatives that results, (the recent proposed reference to the competition commission by the OFT is an example) could hobble, if unchecked, a responsible and long established home credit industry and its customers. The balance between responsible lending and borrowing which promotes a flexible supply of credit to sub-prime customers is a delicate one; regulators should tread carefully, and pragmatically, to ensure that balance is maintained.

Provided it is maintained, then the sub-prime finance industry, both in home credit and motor finance, should prosper; I see no reason why S & U should not continue to provide Britain's best Home Credit and Motor Finance service to the mutual benefit of our customers and shareholders for many years to come.

A M V Coombs
16 September 2004

Independent Review Report to S&U Plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 July 2004 which comprises the profit and loss account, the balance sheet, the cash flow statement, reconciliation of net cash flow to movement in net debt and related notes 1 to 7. 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 Bulletin 1999/4 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 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 the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2004.

Deloitte & Touche LLP
Chartered Accountants
Birmingham

16 September 2004

Consolidated Profit and Loss Account

Six months ended 31 July 2004

	Note	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Business transacted		<u>45,643</u>	<u>41,478</u>	<u>89,260</u>
Turnover	2	<u>17,738</u>	<u>16,297</u>	<u>33,929</u>
Cost of Sales		<u>(1,505)</u>	<u>(1,449)</u>	<u>(3,063)</u>
Gross Profit		<u>16,233</u>	<u>14,848</u>	<u>30,866</u>
Provisions for doubtful debt		<u>(2,517)</u>	<u>(2,345)</u>	<u>(4,933)</u>
Other administrative expenses		<u>(8,188)</u>	<u>(8,005)</u>	<u>(16,240)</u>
Total administrative expenses		<u>(10,705)</u>	<u>(10,350)</u>	<u>(21,173)</u>
Operating profit	2/3	<u>5,528</u>	<u>4,498</u>	<u>9,693</u>
Profit on sale of fixed assets		-	297	312
Net interest payable		<u>(614)</u>	<u>(589)</u>	<u>(968)</u>
Profit on ordinary activities before taxation		<u>4,914</u>	<u>4,206</u>	<u>9,037</u>
Tax on profit on ordinary activities		<u>(1,474)</u>	<u>(1,254)</u>	<u>(2,711)</u>
Profit on ordinary activities after taxation being profit for the financial period		<u>3,440</u>	<u>2,952</u>	<u>6,326</u>
Preference dividends paid				
On 6% cumulative shares		(6)	(6)	(12)
On 31.5% cumulative shares		(71)	(71)	(142)
Profit after preference dividends		<u>3,363</u>	<u>2,875</u>	<u>6,172</u>
Dividend on ordinary shares		<u>(1,056)</u>	<u>(939)</u>	<u>(3,404)</u>
Retained profit for the financial period		<u>2,307</u>	<u>1,936</u>	<u>2,768</u>
Earnings per ordinary share	4	<u>28.7p</u>	<u>24.5p</u>	<u>52.6p</u>
Dividends per ordinary share	5	<u>9.0p</u>	<u>8.0p</u>	<u>29.0p</u>

All activities derive from continuing operations.

There are no recognised gains and losses for the six months ended 31 July 2004 and comparative periods other than the retained profit of £2,307,000 (for the period ended 31 July 2003 - £1,936,000, and the year ended 31 January 2004 - £2,768,000) shown above.

Consolidated Balance Sheet

31 July 2004

	Note	31.7.04 £000	31.7.03 £000	31.1.04 £000
Fixed assets				
Tangible assets		2,432	2,529	2,474
Current assets				
Stocks		121	168	105
Amounts receivable from customers		67,251	61,214	64,526
Other debtors		969	1,224	948
Cash at bank and in hand		91	87	10
		68,432	62,693	65,589
Creditors: amounts falling due within one year		(10,326)	(12,823)	(29,832)
Net current assets		58,106	49,870	35,757
Total assets less current liabilities		60,538	52,399	38,231
Creditors: amounts falling due after more than one year		(20,000)	(15,000)	–
Total net assets	2	40,538	37,399	38,231
Capital and reserves				
Called up share capital		2,117	2,117	2,117
Share premium account		2,136	2,136	2,136
Revaluation reserve		501	595	501
Profit and loss account		35,784	32,551	33,477
Total shareholders' funds		40,538	37,399	38,231
Attributable to equity shareholders		39,888	36,749	37,581
Attributable to non-equity shareholders		650	650	650
		40,538	37,399	38,231

These interim statements were approved by the Board of Directors on 16 September 2004
Signed on behalf of the Board of Directors

D M Coombs }
A M V Coombs } *Directors*

Consolidated Cash Flow Statement

Six months ended 31 July 2004

	Note	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Cash flow from operating activities	6	3,041	4,775	7,115
Returns on investments and servicing of finance		(735)	(658)	(1,144)
Taxation		(1,215)	(1,275)	(2,516)
Capital expenditure and financial investment		(320)	(232)	(84)
Equity dividends paid		(2,465)	(2,350)	(3,289)
Cash (outflow)/inflow before financing being (decrease)/increase in cash in the period		<u>(1,694)</u>	<u>260</u>	<u>82</u>

Reconciliation of net cash flow to movement in net debt

	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
(Decrease)/increase in cash in the period being movement in net debt in the period	(1,694)	260	82
Net debt at start of period	<u>(23,601)</u>	<u>(23,683)</u>	<u>(23,683)</u>
Net debt at end of period	<u>(25,295)</u>	<u>(23,423)</u>	<u>(23,601)</u>

Notes to the Interim Statements

Six months ended 31 July 2004

1. Accounting Policies

The financial information within the interim report has been prepared in accordance with applicable United Kingdom accounting standards and are consistent with those policies disclosed in the 31 January 2004 financial statements.

Turnover

Turnover is exclusive of value added tax and comprises:

- Home collected instalment credit agreements Credit charges received or receivable
- Monthly instalment credit agreements (consumer credit) Credit charges received or receivable
- Monthly instalment credit agreements (car finance) Credit charges received or receivable
- Hire purchase agreements Gross amount received or receivable, less deferred revenue
- Goods and services Gross amounts of goods and services supplied
- Insurance Net commission received and receivable on premiums paid by customers

Business Transacted

In order to provide further comparative information, the directors have included a memorandum figure at the top of the profit and loss account, 'Business Transacted'. This represents the total amount that the customer has contracted to pay subject to the deferral of revenue attributable to a later period and VAT.

2. Analyses of turnover, operating profit/loss and net assets

All operations are situated in the United Kingdom. Analyses by class of business of turnover, operating profit and net assets are stated below:

Class of business	Turnover		
	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Consumer credit, rentals and other retail trading	13,191	12,552	26,381
Car finance	4,547	3,745	7,548
	<u>17,738</u>	<u>16,297</u>	<u>33,929</u>

Class of business	Operating profit		
	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Consumer credit, rentals and other retail trading	3,917	3,306	7,299
Car finance	1,611	1,192	2,394
	<u>5,528</u>	<u>4,498</u>	<u>9,693</u>

Notes to the Interim Statements

Six months ended 31 July 2004

2. Analyses of turnover, operating profit/loss and net assets – *continued*

	Net assets		
	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Class of business			
Consumer credit, rentals and other retail trading	62,547	56,674	55,982
Car finance	3,377	4,236	5,860
	<u>65,924</u>	<u>60,910</u>	<u>61,842</u>
Borrowings	(25,386)	(23,511)	(23,611)
	<u>40,538</u>	<u>37,399</u>	<u>38,231</u>

3. Group Operating Profit

	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Group operating profit is stated after charging:			
Provision for doubtful debt	2,517	2,345	4,933

4. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £3,440,000 (for the period ended 31 July 2003 - £2,952,000 and the year ended 31 January 2004 - £6,326,000) from which is deducted Preference dividends of £77,000 (for the period ended 31 July 2003 - £77,000, and the year ended 31 January 2004 - £154,000) giving earnings of £3,363,000 (for the period ended 31 July 2003 - £2,875,000 and the year ended 31 January 2004 - £6,172,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (for the period ended 31 July 2003 and the year ended 31 January 2004 - 11,737,228).

Diluted earnings per share is the same as basic earnings per share as there are no dilutive shares.

5. Dividends

The directors have declared an interim dividend of 9p per share (2003 - 8p per share). The dividend, which amounts to approximately £1,056,000 (July 2003 - £939,000), will be paid on 12 November 2004 to shareholders on the register at 15 October 2004. The shares will be quoted ex dividend on 13 October 2004.

Notes to the Interim Statements continued

Six months ended 31 July 2004

6. Reconciliation of operating profit to net cash flow from operating activities

	Six months ended 31.7.04 £000	Six months ended 31.7.03 £000	Financial year ended 31.1.04 £000
Operating profit	5,528	4,498	9,693
Depreciation	242	279	528
Loss on sale of fixed assets	32	8	42
(Increase)/decrease in stocks	(16)	46	109
Increase in amounts receivable from customers	(2,724)	(265)	(3,577)
(Increase)/decrease in debtors	(23)	82	(4)
Increase in creditors	2	127	324
Net cash inflow from operating activities	3,041	4,775	7,115

7. Interim report

The figures for the year ended 31 January 2004 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 Companies Act 1985, and which have 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 at the Company's registered office at Royal House, Prince's Gate, Solihull, B91 3QQ.





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