24 September 2019

S&U PLC

("S&U" or “the Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2019

Another six months of steady sustainable growth

S&U, the specialist motor finance and bridging lender today announces its results for the six months ending 31st July 2019. Profits have again been increased at both Advantage Finance Limited (“Advantage”), founded in July 1999 and now in its twentieth successive year of profit growth, and at Aspen Bridging Limited (“Aspen”) founded in 2017. These reflect the Group’s ability to continue to produce consistent and sustainable growth, despite the current challenging economic and political environment.

Financial Highlights

- PBT: £17.1m - up 3% and in line with expectations (H1:2018: £16.7m)
- Group revenue: £47.7m - up 7% (H1:2018: £44.5m)
- Earnings per share: 116.5p – up 3% (H1:2018: 112.6p)
- Group net receivables: £298.5m - up 7% (H1:2018: £279.8m)
- Group gearing and headroom: £125m borrowing and £160m facilities - gearing at 74% (July 2018: 78%)
- Interim dividend: up 6% to 34p per ordinary share (H1: 2018: 32p)

Operational Highlights

Advantage Finance Limited

- 20th anniversary and 20th successive year of profits growth
- Increased customer numbers at 62,000 (July 2018: 58,000)
- Increased applications producing new agreements 8% ahead of budget
- Improving debt quality reflected in £72.1m of increased monthly collections (H1:2018: £67.7m)
- 12 month rolling Risk adjusted yield now 24.9% against 24.6% at year end
- Graham Wheeler, previous CEO of VW Financial Services UK, to succeed retiring founder Guy Thompson as CEO

Aspen Bridging Limited

- Half year profit of £502k (H1:2018: £279k)
- Net receivables up by 52% at £24.7m (H1:2018: £16.3m) and deal pipeline growing steadily
- Appointment of Manjeet Bhogal as Aspen FD strengthens growing business

Anthony Coombs, Chairman of S&U, commented:
“These results clearly demonstrate the resilience and dynamism of our business, and our ability to perform irrespective of the unprecedented uncertainty surrounding the British economy and consumer markets. These strong and well-established foundations give me every confidence for a resumption of usual rates of growth, whatever the outcome of the current maelstrom in Westminster.”

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Chairman's Statement

In announcing yet another set of improved results in challenging, even febrile economic circumstances, I pay tribute to the resilience, adaptability and determination of all working in our Group. It is said that the "finest steel goes through the hottest fire" and Group profit of £17.1m (H1:2018: £16.7m) provide a solid platform for the resumption of recent levels of growth. Fortunately, the smaller non-prime sector of used car and property markets we serve has been partly shielded from the malaise currently affecting the new car and residential markets in the UK. Our skills and energy will enable us to profit from the opportunities this presents.

Motor Finance

Advantage Finance Limited recently celebrated the 20th anniversary of its founding in 1999 by a team led by Guy Thompson the charismatic MD, and most of that original management is still involved with the company. This first half year's profit of £16.6m, net receivables of £273.8m and customer numbers of 62,000 are all the highest ever.

Sales across the new car market were down 3.4% for the year to date. Fortunately, the used car market upon which Advantage solely focuses has been relatively immune from the challenging economic environment which has impacted new car sales. Used car sales year to date are down just 1.7% on last year's second highest recorded figure, in a total market estimated to be worth £43.4bn. According to the latest Finance and Leasing Association statistics, used car sales on finance via dealerships to consumers were 3% up year on year in the 12 months to July 2019.

We expect these benign trends in used cars to continue, particularly in the non-prime space served by Advantage. The consolidation of, and considerable investment in the modernisation of used car dealerships confirms this. The customers they cater for are in employment and looking for affordable value for money, low depreciation and reliability in cars they use for work and the school run.

All this explains the record 680,000 applications Advantage received this half year. However balancing a return to normal growth rates with maintaining sustainable improvements in debt quality in the current economic environment has kept the ratio of transaction rates to applications to 1.8% over the period, compared to 2.3% last year. As anticipated, this prudent approach is seeing a gradual but discernible improvement in debt quality.

Collections have risen by 7% in the half year to an average of £12m per month on net receivables which were on average 3% higher during H1 19. This also means that Advantage's rolling risk adjusted yield has risen slightly from 24.6% at year-end in January to 24.9% now.

This gives Advantage firm foundations for a resumption of recent levels of growth in the second half-with its concomitant effect on profitability.

As mentioned above, much of the credit for the creation from scratch in 1999 of a business now making over £30m profits every year, goes to Guy Thompson, Advantage's distinguished leader. There is, however, a tide in the affairs of man which means that Guy will retire next year. His will be a hard act to follow, but in Graham Wheeler we believe we have found a worthy successor as CEO of Advantage.

Graham has extensive experience in the motor finance industry. He spent over 12 years to 2016 at VW Financial Services, which he developed into Britain's largest motor finance business with over £6bn annual advances and 1,000 employees. A Glaswegian by birth, Graham is relishing the challenge of taking the Advantage family to even greater heights.

Aspen Bridging Limited

In residential markets in the UK where activity remains relatively subdued, Aspen Bridging Limited, our fledgling property lending business, continues to make solid progress. Profit before tax for the period was £0.5 million, up from £0.3 million a year ago and net loan receivables have grown to £24.7m, an increase of just over £8m on 2018.

Aspen Bridging Limited (continued)

Loan enquiries and the current deal pipeline significantly exceed those of a year ago, but competition and a prudent approach to valuations have resulted in transactions, although 60% above last year, being slightly short of expectations.

Aspen's overall loan book remains at a good quality. Since business inception to the end of July 2019, 73 loan facilities out of 137 advanced in total have now been fully repaid. At the end of July there were 9 loans where borrower exits have been slower than expected, due mainly to slower property market conditions. We are confident of sensible outcomes on those loans, which are well provided and are the focus of our collections activity. Aspen has still only had one crystallised loss so far which was a loss of some default interest rather than of capital.

Underlying demand for homes in Britain's historically undersupplied housing market remains strong. The current pipeline augurs a good second half, and a significant contribution by Aspen to Group profits in the next two years.

Funding

We continue to invest in the growth of both of our businesses and in rewarding shareholders. At the half year Group borrowing stood at £125m, up from £108m on 31 January 2019 and compared to £121m at the same stage last year. Our traditionally conservative approach to gearing saw this fall to 74% as at 31 July 2019 from 78% last year, well within our funding covenants. Nevertheless, current facilities of £160m give us ample headroom for growth.

Dividend

In deciding rewards for shareholders, we balance our conservative treasury approach with a realistically positive evaluation of the future. We therefore propose to pay a first interim dividend this year of 34p per ordinary share (2018: 32p). This will be paid on the 15th November 2019 to shareholders on the register on the 25th October.

As usual, our second and final dividends will be paid on the 13th March and 10th July 2020 respectively.

Current Trading and Outlook

The apparent meltdown in Westminster, and the economic paranoia and uncertainty it is creating, is unprecedented in my forty odd years in business and politics. It is a real testament to the resilience and experience of all at S&U, that despite this, I believe the prospects for continued sustainable growth for the Group are still more encouraging than they were a year ago.

Anthony Coombs
Chairman

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

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

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

There are no significant post balance sheet events to report.

The Group's profit on ordinary activities after taxation from continuing operations was £14,017,000 (H1 18: £13,507,000). Dividends of £10,362,000 (H1 18: £9,245,000) were paid during the period.

The Directors recommend a first interim dividend of 34.0p per share (2018: 32.0p). The dividend will be paid on 15 November 2019 to shareholders on the register on 25 October 2019.

PERFORMANCE MEASUREMENTS DEFINITIONS
Within our interim results we refer to the following 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) Return on average capital employed before cost of funds is calculated as the Operating Profit divided by the average capital employed (total equity plus Bank Overdrafts plus Borrowings less cash and cash equivalents).

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

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

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

SHARE OPTION SCHEMES
During the six months, under the S&U Plc 2010 Long-Term Incentive Plan ("LTIP"), 12,500 options were awarded and no options lapsed. 51,000 options were exercised during the six months. 95,334 share options are still held under this plan as at 31 July 2019 (31 July 2018: 145,001 options and 31 January 2019: 133,834 options).

In the six months to 31 July 2019 the charge for these future share-based payments was £65,000 (H1 18: £110,000).

During the six months no shadow share options were exercised under the LTIP scheme. As anticipated in the 2018/19 Remuneration Report, on 1st August 2019, 12,000 shadow share options were granted to Guy Thompson.

Guy Thompson holds a total of 21,000 vested and unvested shadow share options under the LTIP, of which 6,000 (vested) shadow options shall normally vest in August 2021 and 15,000 (unvested) shadow options shall normally vest, subject to the satisfaction of PBT and ROCE based conditions measured over the financial year ending 31 January 2020, in August 2022.

Guy Thompson also currently holds 50,000 S&U ordinary share options under the LTIP, which are fully vested and currently capable of exercise.

Following 20 years of distinguished sservice to the Group, Guy Thompson is in the process of arranging the smooth ttransition of his responsibilities as Managing Director of Advantage Finance to Graham Wheeler. Guy has indicated to the Board that he currently intends to retire during 2020. Guy will be treated as a 'good leaver' under the LTIP if he ceases to be an officer and employee of any Group company by reason of retirement (evidenced to the satisfaction of the Board) on or after 28 August 2020. In these circumstances, Guy's shadow options shall continue to vest in August 2021 (over 6,000 vested shadow options) and August 2022 (up to 15,000 shadow options), subject to the satisfaction of any performance conditions and as determined by the Remuneration Committee in accordance with the rules of the LTIP and the Directors' Remuneration Policy.

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 2019.

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 2019.

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 current lack of clarity around Brexit makes it very difficult to anticipate the effects of Brexit on the environment generally or on our customers. We have considered the position carefully and as the Group exclusively operates in the UK market, we believe the main Brexit risk posed for our Group is indirect and could be the potential for adverse economic conditions and higher levels of unemployment leading to more repayment delinquency. However, despite the ongoing Brexit uncertainty, recent UK employment figures are good and Advantage historically have not suffered greatly through previous economic downturns. We therefore believe the risks currently posed to the Group by Brexit are limited.

The Group is particularly exposed to the non-prime motor finance sector and within that to the values of used vehicles which are used as security. These credit, economic and concentration risks are principally controlled through our credit control policies including loan to value limits for the security and through ongoing monitoring and evaluation.

These well tried and tested methods will be equally important in limiting risk at Aspen Bridging. Historically impairment rates in this market are extremely low, principally because loan to value calculations are conservative, interest is retained up front, and loan periods are a maximum of one year. Furthermore, Aspen has introduced a variety of controls to limit risk in a 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 would consider using interest rate derivative contracts to hedge these exposures in bank borrowings.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 and was granted Consumer Credit Permission from the FCA as the new regulator in 2016. 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. In anticipation of the SMCR regime and to strengthen its control environment, Advantage has appointed Alan Tuplin as its chief risk officer (CRO).

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 2019 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 Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Birmingham, UK
24 September 2019

S&U PLC GROUP
CONSOLIDATED INCOME STATEMENT
Six months ended 31 July 2019

	Note	Unaudited Six months ended 31.7.19 £'000	Unaudited Six months ended 31.7.18 £'000	Audited Financial year ended 31.1.19 £'000
Revenue	2	**47,659**	**44,460**	**89,215**
Cost of sales	3	(21,642)	(20,005)	(38,937)
Gross profit		**26,017**	**24,455**	**50,278**
Administrative expenses		(6,607)	(5,642)	(11,177)
Operating profit		**19,410**	**18,813**	**39,101**
Finance costs (net)		(2,272)	(2,139)	(4,541)
Profit before taxation	2	**17,138**	**16,674**	**34,560**
Taxation	4	(3,121)	(3,167)	(6,571)
Profit for the period		**14,017**	**13,507**	**27,989**
Earnings per share				
Basic	5	116.5p	112.6p	233.2p
Diluted	5	116.1p	111.8p	232.0p

All activities and earnings per share derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31.7.19 £000	Unaudited Six months ended 31.7.18 £000	Audited Financial year ended 31.1.19 £000
Profit for the period	14,017	13,507	27,989
Other comprehensive income:			
Actuarial loss on defined benefit pension scheme	-	-	(15)
Total Comprehensive Income for the period	14,017	13,507	27,974

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

CONSOLIDATED BALANCE SHEET
As at 31 July 2019

	Note	Unaudited 31.7.19 £'000	Unaudited 31.7.18 £'000	Audited 31.1.19 £'000
ASSETS				
Non current assets				
Property, plant and equipment		2,262	2,308	2,296
Amounts receivable from customers	7	192,720	187,375	182,689
Deferred tax assets		361	487	398
		195,343	190,170	185,383
Current assets				
Amounts receivable from customers	7	105,741	92,407	94,374
Trade and other receivables		1,256	936	1,055
Cash and cash equivalents		2	1	1
		106,999	93,344	95,430
Total assets		302,342	283,514	280,813
LIABILITIES				
Current liabilities				
Bank overdrafts and loans		(153)	(417)	(38)
Trade and other payables		(3,135)	(2,648)	(2,139)
Current tax liabilities		(3,914)	(3,382)	(3,995)
Accruals and deferred income		(436)	(626)	(550)
		(7,638)	(7,073)	(6,722)
Non current liabilities				
Borrowings		(125,000)	(121,000)	(108,000)
Lease Liabilities		(251)	(260)	(274)
Financial liabilities		(450)	(450)	(450)
		(125,701)	(121,710)	(108,724)
Total liabilities		(133,339)	(128,783)	(115,446)
NET ASSETS		169,003	154,731	165,367
Equity				
Called up share capital		1,708	1,700	1,701
Share premium account		2,301	2,301	2,301
Profit and loss account		164,994	150,730	161,365
TOTAL EQUITY		169,003	154,731	165,367

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 2019

	Unaudited Called up share capital £'000	Unaudited Share premium account £'000	Unaudited Profit and loss account £'000	Unaudited Total equity £'000
At 1 February 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
Profit for six month period	-	-	14,482	14,482
Other comprehensive income for period	-	-	(15)	(15)
Total comprehensive income for period	-	-	14,467	14,467
Issue of new shares	1	-	-	1
Cost of future share based payments	-	-	93	93
Tax charge on equity items	-	-	(90)	(90)
Dividends	-	-	(3,835)	(3,835)
At 31 January 2019	1,701	2,301	161,365	165,367
Profit for six month period	-	-	14,017	14,017
Other comprehensive income for period	-	-	-	-
Total comprehensive income for period	-	-	14,017	14,017
Issue of new shares	7	-	-	7
Cost of future share based payments	-	-	65	65
Tax charge on equity items	-	-	(91)	(91)
Dividends	-	-	(10,362)	(10,362)
At 31 July 2019	1,708	2,301	164,994	169,003

CONSOLIDATED CASH FLOW STATEMENT
Six months ended 31 July 2019

	Note	Unaudited Six months ended 31.7.19 £'000	Unaudited Six months ended 31.7.18 £'000	Audited Financial Year ended 31.1.19 £'000
Net cash used in operating activities	8	(6,541)	(6,892)	10,530
Cash flows used in investing activities				
Proceeds on disposal of property, plant and equipment		14	18	45
Purchases of property, plant and equipment		(209)	(312)	(830)
Net cash used in investing activities		(195)	(294)	(785)
Cash flows from financing activities				
Dividends paid		(10,362)	(9,245)	(13,080)
Issue of new shares		7	13	14
Receipt of new borrowings		17,000	17,000	4,274
Repayment of borrowings		-	-	-
Repayment of lease liabilities		(23)	(8)	-
Increase/(decrease) in overdraft		115	(574)	(953)
Net cash from financing activities		6,737	7,186	(9,745)
Net decrease in cash and cash equivalents		1	-	-
Cash and cash equivalents at the beginning of the period		1	1	1
Cash and cash equivalents at the end of the period		2	1	1
Cash and cash equivalents comprise				
Cash and cash in bank		2	1	1

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2019

1. ACCOUNTING POLICIES

1.1 General Information

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

1.2 Basis of preparation and accounting policies

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

The same accounting policies, presentation and methods of computation are followed in the financial statements as applied in the Group's latest annual audited financial statements. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the six months ended 31 July 2019. 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).

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 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. In addition, in accordance with the provisions of IFRS9 a collective provision for 12 months expected credit losses ("ECL") is recognised for the remainder of the loan book. In our Motor Finance business, all loans 1 month or more in contractual arrears are deemed credit impaired and are therefore included in IFRS9 stage 3. The expected credit loss ("ECL") is the probability weighted estimate of credit losses.

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 31.7.19 £'000**	**Six months ended 31.7.18 £'000**	**Financial year ended 31.1.19 £'000**
Motor finance	45,586	43,270	86,372
Property bridging finance	2,073	1,190	2,843
Revenue	47,659	44,460	89,215

	Profit before taxation		
Class of business	**Six months ended 31.7.19 £'000**	**Six months ended 31.7.18 £'000**	**Financial year ended 31.1.19 £'000**
Motor finance	16,622	16,306	33,640
Property bridging finance	502	279	838
Central costs/income	14	89	82
Profit before taxation	17,138	16,674	34,560

NOTES TO THE INTERIM STATEMENTS
Six months ended 31 July 2019

3. COST OF SALES

	Six months ended 31.7.19 £'000	Six months ended 31.7.18 £'000	Financial year ended 31.1.19 £'000
Loan loss provisioning charge - motor finance	11,075	11,320	22,980
Loan loss provisioning charge – property bridging finance	318	98	206
Total loan loss provisioning charge	11,393	11,418	23,186
Other cost of sales – motor finance	9,927	8,390	15,298
Other cost of sales – property bridging finance	322	197	453
Cost of sales	21,642	20,005	38,937

4. TAXATION

The tax charge for the period has been calculated by applying the estimated effective tax rate for the year of 18.2% (31 July 2018: 19.0% and 31 January 2019: 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 £14,017,000 (period ended 31 July 2018: £13,507,000 and year ended 31 January 2019: £27,989,000).

The number of shares used in the basic calculation is the average number of ordinary shares in issue during the period of 12,032,091 (period ended 31 July 2018: 11,996,479 and year ended 31 January 2019: 12,003,051).

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 35.0p per ordinary share and a final dividend of 51.0p per ordinary share for the financial year ended 31 January 2019 were paid during the six month period to 31 July 2019 (total of 86.0p per ordinary share). This compares to 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 which were paid during the 6 months period to 31 July 2018 (total of 77.0p per ordinary share). During the twelve months to 31 January 2019 total dividends of 109.0p 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 34.0p per share (2018: 32.0p per share). The first interim dividend, which amounts to approximately £4,102,000 (2018: £3,841,000), will be paid on 15 November 2019 to shareholders on the register at 25 October 2019. The shares will be quoted ex dividend on 24 October 2019. 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 2019

7. ANALYSIS OF AMOUNTS RECEIVABLE FROM CUSTOMERS

All operations are situated in the United Kingdom.

	Six months ended 31.7.19 £'000	Six months ended 31.7.18 £'000	Financial year ended 31.1.19 £'000
Motor Finance			
Amounts receivable from customers (capital)	332,914	315,627	316,655
Less: Loan loss provision for motor finance	(59,143)	(52,172)	(57,845)
Motor Finance net amounts receivable from customers	273,771	263,455	258,810
Property Bridging Finance			
Amounts receivable from customers (capital)	25,293	16,562	18,621
Less: Loan loss provision for property bridging	(603)	(235)	(368)
Property Bridging net amounts receivable from customers	24,690	16,327	18,253
Total net amounts receivable from customers	298,461	279,782	277,063
Analysed as:- due within one year	105,741	92,407	94,374
- due in more than one year	192,720	187,375	182,689
Amounts receivable from customers (net)	298,461	279,782	277,063

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

	Not Credit Impaired		Credit impaired		
	Stage 1: Subject to 12 months ECL £'000	Stage 2: Subject to lifetime ECL £'000	Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
As at 31 July 2019					
Motor finance	(14,395)	(12)	(45,089)	(59,143)	332,914
Property bridging finance	(238)	-	(365)	(603)	25,293
Total	(14,633)	(12)	(45,454)	(59,746)	358,207
As at 31 July 2018					
Motor finance	(12,884)	(32)	(39,256)	(52,172)	315,627
Property bridging finance	(120)	-	(115)	(235)	16,562
Total	(13,004)	(32)	(39,371)	(52,407)	332,189
As at 31 January 2019					
Motor finance	(12,685)	(71)	(45,089)	(57,845)	316,655
Property bridging finance	(131)	-	(237)	(368)	18,621
Total	(12,816)	(71)	(45,326)	(58,213)	335,276

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

	Six months ended 31.7.19 £'000	Six months ended 31.7.18 £'000	Financial year ended 31.1.19 £'000
Operating Profit	19,410	18,813	39,101
Finance costs paid	(2,272)	(2,139)	(4,541)
Tax paid	(3,256)	(2,805)	(5,597)
Depreciation on property, plant and equipment	226	185	414
Loss on disposal on property, plant and equipment	3	-	6
Increase in amounts receivable from customers	(21,398)	(20,776)	(18,057)
Increase in trade and other receivables	(201)	(218)	(337)
(Decrease)/increase in trade and other payables	996	99	(410)
Decrease in accruals and deferred income	(114)	(161)	(237)
Increase in cost of future share based payments	65	110	203
Decrease in retirement benefit obligations	-	-	(15)
Cash flow used in operating activities	(6,541)	(6,892)	10,530

9. BORROWINGS

Movements in our loans and overdrafts for the respective periods are shown in the consolidated cash flow statement. The period end borrowings were £125m. As referred to in our annual report, an additional revolving credit facility of £25m was put in place early this financial year and so committed borrowing facilities were higher at £160m at 31 July 2019 (31 July 2018 and 31 January 2019: £135m) plus at 31 July 2019 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 £44,000 (6 months to July 2018: £48,000; year to January 2019: £87,000) 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 2018: £nil; January 2019 £nil). During the six months the Group obtained supplies amounting to £5,668 (6 months to July 2018: £5,580; year to January 2019: £5,713) 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 £5,668 (July 2018: £nil; January 2019 £nil). All related party transactions were settled in full.

11. INTERIM REPORT

The information for the year ended 31 January 2019 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.