26 March 2019

S&U plc
("S&U", "the Group" or "the Company")

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2019

Another year of steady sustainable growth

S&U plc (LSE: SUS), the motor finance and specialist lender, today announces its preliminary results for the year ended 31 January 2019:

Key Financials:
- Profit before taxation (PBT) up 15% at £34.6m (2018: £30.2m)
- Group revenue up 15% on IFRS9 adjusted basis at £89.2m
- Basic earnings per share up 14% at 233.2p (2018: 203.8p)
- Proposed final dividend up 6p to 51p (2018: 45p); total dividend for the year up by 12% to 118p (2018: 105p)
- Strong balance sheet:
  - Net receivables increased by 6% to £277.1m (2018: £262.1m)
  - Borrowings at £108m (2018: £104m) – gearing at 65% (2018: 69%)
  - Committed funding facilities increased to £160m post yearend giving good headroom

Advantage Motor Finance Highlights:
- 19th successive year of record PBT which rose to £33.6m (2018: £30.2m)
- Over 15% Return on Capital Employed for the 8th consecutive year
- Over 1 million applications were received by Advantage during the year of which only just over 2% were written.
- Annual advances 14% lower this year at 21,000 - still second highest.
- Risk Adjusted Yield 24.6% for year due to slightly higher impairment (2018: 26.7%)
- Net receivables at £259m (2018: £248m) an increase of 4% on IFRS9 adjusted basis and customer numbers reached a record 59,000 (2018: 54,000)
- Total annual collections healthy at £181.5m (2018: £153.3m) an increase of 18%

Aspen Bridging Highlights:
- PBT in only second year of operation £838,000 (2018: £298,000 start up loss)
- £18m loan book - £36m gross advances and £17m repayments since launch.
- New product of the year award
- Property bridging market expected to grow from £7.5bn per annum currently to £10bn in 2021 (MINTEL)

Anthony Coombs, Chairman of S&U plc commented:
"I am particularly proud of the performance of our business and of our teams at Advantage and at Aspen. They have worked ceaselessly on the myriad of small improvements in product design, process and customer service upon which sustained success depends They continue to do so, building on experience and expertise in Advantage's case of nearly 20 years which is tried and tested and of proven success.
The combination of growing markets, an expanded and dedicated team, a strong financial structure and responsible strategy, allows me to be confident of our continued success."

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A presentation for analysts will be held on 26th March 2019 at 9.15am for 9.30am at the offices of Newgate Communications, Skylight City Tower, 50 Basinghall Street, London EC2V 5DE

CHAIRMAN'S REVIEW

For the 10th successive year, I am pleased to announce increased profits for S&U plc. Group profit before tax (PBT) is £34.6m (2018: £30.2m), an increase of over 14%. For no less than the 19th successive year, Advantage Finance has produced a record profit. Equally encouraging is the progress made by Aspen Bridging, our property bridging finance business, which has achieved over £800,000 profits in only its second year of existence.

Group revenue for the year was £89.2m (2018: £79.8m); both receivables at £277m, and Advantage and Aspen customer numbers, 59,000 (+8%) were at highest ever levels.

In my statement a year ago I referred to a slowing economy and lower levels of consumer confidence, partly induced by relentless pessimism in much of the media about life after Brexit. For Advantage I anticipated that this might necessitate "sensible gear changes, steering tweaks and an easing of the accelerator". Such realism and ability to adapt to micro economic change, has been a hallmark of S&U's "steady, sustainable growth" over the past 20 years.

So it has proved this year. As the economy and the motor sector has slowed, prudently tightened underwriting and some increased competition have seen Group advances moderate to £152m against £165m in 2018. This is primarily due to a prudent 21,000 new deals at Advantage this year, which was less than the record 24,500 achieved last year but still the second highest new customer intake ever. Meanwhile, Aspen Bridging has nearly doubled its advances to £23.1m (2018: £13.3m).

Our realistic approach to growth has been rewarded by record Group collections of nearly £200m (2018: £156m), comprised of an 18% increase in Advantage and an increase of nearly five times at Aspen. These reflect, in more uncertain times, lower motor finance advances and good cash generation, so that Group borrowings have grown by just £3m. In turn, our treasury position has strengthened as gearing as fallen to 65% from 69% last year. This strong financial base supported by our tried and tested experience and expertise gained over the past 20 years, allows S&U to approach the current unprecedented economic uncertainties in both Britain and Europe with great confidence. Indeed, over the next year I anticipate that this could present significant opportunities for growth as consumer confidence and political certainty return.

Financial Highlights*

- Profit before tax ("PBT"): £34.6m (2018: £30.2m)
- Revenue £89.2m (2018: £79.8m)
- Earnings per share ("EPS") = 233.2p (2018: 203.8p)
- Group net assets: £165.4m (2018: £152.8m)
- Group gearing at 65% (2018: 69%)
- Treasury – new £25m revolving credit facility with NatWest agreed to 2024 - Group facilities now at £160m
- Record Group collections of nearly £200m (2018: £156m)
- Increased investment in Aspen Bridging after successful pilot
- Dividend of 118p per ordinary share (2018: 105p)

* Key alternative performance measurement definitions are given in note 2.5 below.

IFRS9 and IFRS16 Change in accounting policy

As highlighted in previous announcements the Group has adopted IFRS9 financial instruments and IFRS16 Leases which were effective for the first time during the year ended 31 January 2019. In accordance with transitional provisions of the IFRS9 Standard, comparative periods have not been restated and therefore, whilst there is no material effect on the reported profit of S&U, information for the year to 31 January 2018 and for the year to 31 January 2019 is not directly comparable. Further information on the accounting transition is set out in the notes at the end of this preliminary results statement.

Advantage Finance ("Advantage")

Advantage Finance, our Grimsby based motor finance business has continued its remarkable achievement of 19 years of record profits since its launch in 1999. This year PBT is £33.6m against £30.2m last year rooted in an increase of 4% in net receivables at £259m (2018: £248m post IFRS9 adjustment). As a result Advantage has maintained its commendable and consistent record of the past eight years of producing a return of at least 15% on average capital employed before cost of funds.

This year however has seen a pause in transactions growth at 21,053, 14% less than the 24,518 in 2018, although the second highest ever. The reasons are sensible and soundly based.

First, our aim is to maintain and improve the quality of our loan book. As I predicted a year ago, whilst the labour market in the United Kingdom has remained healthy this has not been reflected in any consistent easing of the pressure on working people's average real incomes. This pressure persuaded some customers to take on newer forms of high cost credit financial obligations which resulted in slightly less consistent repayments to Advantage this year than we anticipated. Impairment including the impact of IFRS9 therefore was slightly higher than anticipated in 2018/19 and risk adjusted yield reduced to 24.6% in the year to 31 January 19 from 26.7% last year. Return on average capital employed remained healthy at 15.6% for the year to 31 January 2019 (2018: 16.1%). Further underwriting changes, which clearly recognise these high cost credit obligations, and marketing improvements to attract a better product mix, are designed to maintain returns and gradually return impairment levels to those of the past five years.

The second reason for the pause in transaction growth, albeit from near record levels, reflects competition within a healthy used car finance market. Recently this has contrasted with the more newsworthy, but much smaller new car market which has seen a decline, according to the Society of Motor Manufacturers and Traders ("SMMT") figures, of around 7%. By contrast, the used car market reached 7.95m vehicles, the third highest since SMMT monitoring began in 2001. Furthermore, the number of used cars sold on finance through dealership rose, according to figures from the Finance and Leasing Association, by 7% in the year to December 2018. Industry experts expect this rise to continue – albeit slightly more slowly – over the next two years.

This growth is reflected in robust used car values. Although residual values are less important in Advantage's sector of the car market – the car values at loan inception are lower and our Hire Purchase products reduce our exposure – we are nevertheless encouraged by the good recent performance of used car prices, including the diesel economy models favoured by many of our customers.

Such a large and growing market has inevitably attracted competition, leading to higher broker commissions and more adventurous finance terms being offered – often from less experienced new lenders. Advantage Finance is ideally placed to respond to this and to take the opportunities available in an active market. Commission improvements, product refinements and constant adjustments to the customer journey have all been introduced, consolidating our leading position with our broker partners.

Thus this year has seen further development of Dealflo, our customer e signature system and of our industry leading underwriting system. Continuous improvement of this kind has been the bedrock of Advantage's record breaking history and is grounded in our belief that steady, sustainable growth is always dependent upon rigorous under-writing, the right products and speedy, reliable service for our much valued customers.

Aspen Bridging

Aspen Bridging our property lending subsidiary launched in 2017 is fully justifying the Board's decision this year to sign-off its pilot phase. Profit before tax this year is £838,000 against a small £298,000 start-up loss last year. 2018/19 has seen Aspen's loan book grow to just over £18m (2018: £11m). The number of deals completed has risen to 62 - from just 35 a year ago.

Since launch this means that Aspen have written £36m of gross business and had over £17m in repayments. Although competitive pressure has seen initial margins slightly tighten, controlled loan extensions and associated exit fees have seen overall margins close to budget. Both fixed and variable costs per deal are falling and now, with a full complement of eleven staff, will fall further next year as the business grows.

Aspen operates in the flourishing home refurbishment and investment market, with loans repaid either by onward sale or by re-mortgage. With a gross average loan size of £375,000 (2018: £380,000), this is a space which main stream banks are generally too inflexible and slow to fill, thus allowing Aspen to develop bespoke products and a fast, reliable and personalised service. Every customer is seen on site, all properties are secured on a first charge and the reliability and speed of service is such that transactions can be completed within three days when necessary.

Since they both appeal to, and provide the incentive for, efficient refurbishment and development, Aspen's stepped interest products have proved particularly popular. Conservative valuation policies and close relationships with its customers continue to help Aspen manage any defaulted accounts to successful conclusions and achieve a low level of impairment which is a key driver to success in this market.

Aspen's innovative products were recognised last year when Aspen was highly commended in the newcomer of the year and was awarded the Product of the Year at the Bridging and Commercial Annual Awards The bridging market is a buoyant one as evidenced, by a recent survey by MINTEL showing expected growth from c£7.5bn per annum currently to over £10bn by 2021. As a result, we anticipate controlled revenue growth at Aspen of at least 50% per year over the next two years, an expectation which justifies S&U planned increased investment over the same period.

Dividends

Current Company valuations generally appear to owe more to wider cyclical macro-economic and political concerns than to the long term earnings performance of individual companies. Nevertheless, S&U plc has always strived to augment this for our loyal shareholders with a consistent dividend which parallels our sustained earnings growth. Thus, as earnings per share from continuing operations has risen by 230% over the past four years, from 100.1p in 2014/15 to 233.2p this year, so dividends should broadly reflect this, consistent with our long term aim of increasing coverage by earnings to 200%. This year we maintain this approach.

Your Board therefore recommend a final dividend of 51p per ordinary share (2018: 45p). This will be paid on the 12th July 2019 to ordinary shareholders on the share register at the 21st June 2019, subject to the approval of the shareholders at the

AGM to be held on the 23rd May 2019. This will mean that dividends from S&U this year will be 118p per ordinary share against 105p in 2017/8 an increase of over 12.3%.

Funding Review

As should be expected from any high quality lending business during a pause in growth, cash generation for the Group this year has, despite the steady growth in the Aspen book, seen a net investment after tax and dividend outflows of just £3m (2018: £56m). Year-end borrowings were therefore £108m (2018: £104m) against Group banking facilities of £135m (2018: £115m).

Our ambitions and our perceived opportunities for growth remain undiminished. The four to five year cycle of lending at Advantage requires medium term funding and in addition to our excellent existing funding facilities we also now welcome back NatWest as an active lending partner. NatWest with whom we have had a relationship for over 50 years are providing us with a new £25m five year revolving credit facility. NatWest have welcomed this by looking forward to a "successful and long-term relationship" with S&U, "a well established and leading UK speciality finance provider with a long proven track record." The resulting total group funding gives S&U plc considerable headroom for future growth.

Regulation

Although coming after the year end, of great interest, was March's report from the Financial Conduct Authority ("FCA) on the motor finance industry. As we made plain post publication, the report contained no surprises and a great deal of comfort for firms like Advantage. The report focused on three areas. On commissions, it recognised that the flat fee basis used by Advantage minimised risk for customers. Second, its recommended separation of credit scoring and customer affordability assessment is a practice long used at Advantage. Third, it emphasised the value of transparent and plain communication with customers prior to transactions, and of ensuring that brokers and introducers did the same.

As I anticipated last year, Advantage's excellent record on customer relations, its continued investment in compliance and under-writing – (the latter has seen an updated scorecard and automated affordability calculations) – and long experience allow us to give the FCA report a genuine welcome.

Although unregulated, Aspen Bridging has thorough and rigorous underwriting and collections processes. In particular, Aspen personnel make personal visits to every financed property and are supported by Field Fisher and Brightstone (specialist bridging lawyers), VAS (valuation) and Jackson Cohen (regulatory experts) in the credit assessment process.

Current Trading and Outlook

This year I am particularly proud of the performance of our business and especially of our teams at Advantage and at Aspen. They have worked ceaselessly on the myriad of small improvements in product design, process and customer service which a more constrained and competitive economic environment always requires. They continue to do so, building on experience and expertise in Advantage's case of nearly 20 years which is tried and tested and of proven success.
Our prognosis for the next twelve months is realistic, but optimistic. The long-term outlook for responsible and good quality used car finance, at affordable monthly repayments provided by Advantage is strong. The continuing shortage of affordable housing and the ability to finance its provision similarly argues for further growth in Aspen's property bridging market.

The combination of active markets, an expanded and dedicated team, a sound financial structure and responsible strategy, allows me to be confident of our continued success.

Anthony Coombs
Chairman
25 March 2019

CONSOLIDATED INCOME STATEMENT
Year ended 31 January 2019

	Note	2019 IFRS9 £000	2018 IAS39 £000
Revenue	3	89,215	79,781
Cost of sales	4	(38,937)	(36,880)
Gross profit		50,278	42,901
Administrative expenses		(11,177)	(9,923)
Operating profit		39,101	32,978
Finance costs (net)	5	(4,541)	(2,818)
Profit before taxation		34,560	30,160
Taxation		(6,571)	(5,746)
Profit for the year attributable to equity holders		27,989	24,414
Earnings per share basic	7	233.2p	203.8p
Earnings per share diluted	7	232.0p	202.4p
Dividends per share			
- Proposed Final Dividend		51.0p	45.0p
- Interim dividends in respect of the year		67.0p	60.0p
- Total dividend in respect of the year		118.0p	105.0p
- Paid in the year		109.0p	95.0p

All activities derive from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2019 IFRS9 £000	2018 IAS39 £000
Profit for the year attributable to equity holders	27,989	24,414
Actuarial loss on defined benefit pension scheme	(15)	(14)
Total Comprehensive Income for the year	27,974	24,400

Items above will not be reclassified subsequently to the Income Statement

CONSOLIDATED BALANCE SHEET
31 January 2019

	Note	2019 IFRS9 £000	2018 IAS39 £000
ASSETS			
Non current assets			
Property, plant and equipment including right of use assets		2,296	1,931
Amounts receivable from customers	6	182,689	178,597
Deferred tax assets		398	487
		185,383	181,015
Current Assets			
Amounts receivable from customers	6	94,374	83,459
Trade and other receivables		1,055	718
Cash and cash equivalents		1	1
		95,430	84,178
Total Assets		280,813	265,193
LIABILITIES			
Current liabilities			
Bank overdrafts and loans		(38)	(991)
Trade and other payables		(2,139)	(2,549)
Tax Liabilities		(3,995)	(3,600)
Accruals and deferred income		(550)	(787)
		(6,722)	(7,927)
Non current liabilities			
Borrowings		(108,000)	(104,000)
Lease Liabilities		(274)	-
Financial Liabilities		(450)	(450)
		(108,724)	(104,450)
Total liabilities		(115,446)	(112,377)
NET ASSETS		165,367	152,816
Equity			
Called up share capital		1,701	1,699
Share premium account		2,301	2,289
Profit and loss account		161,365	148,828
Total equity		165,367	152,816

STATEMENT OF CHANGES IN EQUITY
Year ended 31 January 2019

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 February 2017	1,695	2,281	135,491	139,467
Profit for year	-	-	24,414	24,414
Other comprehensive income for year	-	-	(14)	(14)
Total comprehensive income for year	-	-	24,400	24,400
Issue of new shares in year	4	8	-	12
Cost of future share based payments	-	-	317	317
Tax credit on equity items	-	-	(3)	(3)
Dividends	-	-	(11,377)	(11,377)
At 31 January 2018	1,699	2,289	148,828	152,816
Profit for year	-	-	27,989	27,989
Other comprehensive income for year	-	-	(15)	(15)
Total comprehensive income for year	-	-	27,974	27,974
Issue of new shares in year	2	12	-	14
Cost of future share based payments	-	-	203	203
IFRS9 receivables adjustment	-	-	(3,050)	(3,050)
Tax charge on equity items	-	-	490	490
Dividends	-	-	(13,080)	(13,080)
At 31 January 2019	1,701	2,301	161,365	165,367

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 January 2019

	Note	2019 £000	2018 £000
Net cash from/(used in) operating activities	8	10,530	(43,418)
Cash flows used in investing activities			
Proceeds on disposal of property, plant and equipment		45	37
Purchases of property, plant and equipment		(830)	(1,077)
Net cash used in investing activities		(785)	(1,040)
Cash flows (used in)/from financing activities			
Dividends paid		(13,080)	(11,377)
Issue of new shares		14	12
Receipt of new borrowings		4,274	56,000
Repayment of borrowings		-	-
Net decrease in overdraft		(953)	(180)
Net cash (used in)/from financing activities		(9,745)	44,455
Net decrease in cash and cash equivalents		-	(3)
Cash and cash equivalents at the beginning of year		1	4
Cash and cash equivalents at the end of year		1	1
Cash and cash equivalents comprise			
Cash and cash in bank		1	1

There are no cash and cash equivalent balances which are not available for use by the Group (2018: £nil).

1. SHAREHOLDER INFORMATION

1.1 Preliminary Announcement

The figures shown for the year ended 31 January 2019 are not statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2019 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 January 2018 are not statutory accounts. A copy of the statutory accounts has been delivered to the Registrar of Companies, contained an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006. This announcement has been agreed with the Company's auditors for release. A copy of this preliminary announcement will be published on the website www.suplc.co.uk. The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

1.2 Annual General Meeting

The Annual General Meeting will be held at 12 noon on 23 May 2019 at the Nuthurst Grange Country House Hotel, Hockley Heath, Warwickshire B94 5NL.

1.3 Dividend

If approved at the Annual General Meeting a final dividend of 51p per Ordinary Share is proposed, payable on 12 July 2019 with a record date of 21 June 2018.

1.4 Annual Report

The 2019 Annual Report and Financial Statements and AGM notice will be displayed in full on our website www.suplc.co.uk in due course and also posted to those Shareholders who have still opted to receive a hardcopy. Copies of this announcement are available from the Company Secretary, S & U plc, 2 Stratford Court, Cranmore Boulevard, Solihull B90 4QT.

2. KEY ACCOUNTING POLICIES

The 2019 financial statements have been prepared in accordance with applicable accounting standards and accounting policies – these key accounting policies are a subset of the full accounting policies.

2.1 Basis of preparation

As a listed Company we are required to prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial information included in this preliminary announcement does not include all the disclosures required for IFRS or the Companies Act 2006.

Both the consolidated financial statements and the financial information included in this preliminary announcement have been prepared under the historical cost convention.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the preliminary announcement. The details of the Group's objectives, policies and processes for managing its capital along with the Group's financial risk management objectives and its exposures to credit risk, market risk and liquidity risk are set out in detail within the audited financial statements. The directors believe that the Group is well placed and has sufficient financial resources to manage its business risks successfully despite the current 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 the preliminary announcement.

2.2 Changes in accounting Policies

As highlighted in previous announcements the Group has adopted IFRS9 financial instruments which was effective for the first time during the year ended 31 January 2019. In accordance with transitional provisions of the IFRS9 Standard,

comparative periods have not been restated and therefore information for the year to 31 January 2018 and for the year to 31 January 2019 is not directly comparable.

Implementation of IFRS9 resulted in a £2.47m reduction in the Group's opening equity at 1 February 2018 being £3.05m net of £0.58m related to the associated tax impact. There has been no change in the carrying amount of financial instruments under IFRS9 on the basis of changes to their measurement categories. The £2.47m reduction is solely due to the replacement of the IAS39 incurred loss impairment approach with an expected credit loss approach under IFRS9.

As part of its transition to IFRS9 the Group has also early adopted IFRS16 Leases with effect from 1 February 2018 in advance of its normal effective date of 1 February 2019. The Group has elected to adopt the modified retrospective approach allowed under IFRS16 and as such there was no opening effect on equity as at 1 February 2018. For short term leases (lease terms of 12 months or less) and leases of low value assets the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS16. This expense is presented within Administrative expenses in the consolidated income statement. At 31 January 19 the introduction of IFRS16 has resulted in a recognition of right of use assets of £265,000 and lease liabilities of £274,000. The introduction of IFRS16 also changes the revenue recognition accounting for our motor finance hire purchase contracts whereby the grossing up of revenue and impairment for uncharged interest on arrears now ceases. The effect of this on the income statement is to reduce revenue and impairment by £2.4m each for the year to 31 January 19 and in tandem with IFRS9 impairment changes make historic impairment to revenue trends less directly comparable. The ceasing of this grossing up under IFRS16 has no effect on the risk adjusted yield measure which we have therefore also highlighted for comparative purposes. As any effect on revenue and impairment of grossing up was equal and opposite, the effect of this IFRS16 change on profit is £nil.

2.3 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 IFRS16, 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.

2.4 Impairment and measurement of amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus direct transaction costs. After initial recognition the amounts receivable from customers are subsequently measured at amortised cost.

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of credit impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement. Under IFRS 9 for all accounts which are not credit impaired, a further collective provision for expected credit losses in the next 12 months is calculated and charged to the income statement.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default (PD) and information regarding the likely eventual loss including recoveries (LGD. These assumptions and assumptions for estimating future cash flows are based upon observed historical data and updated to reflect current and future conditions. As required under IFRS9, all assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

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 and 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. 12 month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date. 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.

A PD/LGD model was developed by our Motor Finance business, Advantage Finance, to calculate the expected loss impairment provisions in accordance with IFRS9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer defaulting in the next 12 months. This is determined with reference to historical data updated for current and future conditions. If a motor finance loan falls one month or more in contractual arrears then this is deemed credit impaired and included in IFR9 Stage 3. There are some motor finance loans which are up to date with payments but the customer is in some form of forbearance and we deem this to be a significant increase in credit risk and so these loans are included in Stage 2.

As required under IFRS9 the expected impact of movements in the macroeconomy is also reflected in the expected loss model calculations. For motor finance, assessments are made using forward looking external data regarding forecast future levels of employment, interest rates and used car values which may affect the customers' future propensity to repay their loan. The macroeocnomic overlay assessments for 31 January 2019 reflect that further to considering such external macroeconomic forecast data and current uncertainties around Brexit, management have judged that there is currently a more heightened risk of an economic downturn. To factor in such uncertainties, management has included an overlay on the PD and LGD for certain groups of Stage 1 assets. There were no significant changes to estimation techniques applied to the calculations used at 31 January 2019 and those used at 1 February 2018.

PD/LGD calculations for expected loss impairment provisions were also developed for our Property Bridging business Aspen Bridging in accordance with IFRS9. Stage 1 expected losses are recognised on inception/initial recognition of a loan based on the probability of a customer defaulting in the next 12 months. The Bridging product has a single repayment scheduled for the end of the loan term and if a bridging loan is not granted an extension or repaid and falls into default beyond the end of the loan term then this is deemed credit impaired and included in IFRS9 Stage 3. Due mainly to the high values of property security attached to bridging loans, the bridging sector typically has lower credit risk and lower impairment than other credit sectors

2.5 Performance Measurements

i) Risk adjusted yield as % of average monthly receivables is the gross yield for the period (revenue minus impairment) divided by the average monthly net receivables for the period.
ii) Rolling 12 month impairment to revenue % is the impairment charged in the income statement during the 12 months prior to the reporting date divided by the revenue for the same 12 month period. Historic comparisons using this measure are more affected by the adoption of new accounting standards IFRS9 and IFRS16 as referred to above.
iii) Return on average capital employed before cost of funds is calculated as the Operating Profit dividend by the average capital employed (total equity plus Bank Overdrafts plus Borrowings less cash and cash equivalents)
iv) Dividend cover is the basic earnings per ordinary share declared for the financial year dividend by the dividend per ordinary share declared for the same financial year.
v) Group gearing is calculated as the sum of Bank Overdrafts plus Borrowings less cash and cash equivalents divided by total equity.

3. SEGMENTAL ANALYSIS

Analyses by class of business of revenue and profit before taxation from continuing operations are stated below:

	←Revenue→		← Profit before taxation→	
Class of business	**Year ended 31.1.19 IFRS9 £000**	**Year ended 31.1.18 IAS39 £000**	**Year ended 31.1.19 IFRS9 £000**	**Year ended 31.1.18 IAS39 £000**
Motor finance	86,372	78,882	33,640	30,211
Property Bridging finance	2,843	899	838	(298)
Central costs net of central finance income	-	-	82	247
	89,215	79,781	34,560	30,160

Analyses by class of business of assets and liabilities are stated below:

Class of business	← Assets →		← Liabilities →	
	Year ended 31.1.19 IFRS9 £000	**Year ended 31.1.18 IAS39 £000**	**Year ended 31.1.19 IFRS9 £000**	**Year ended 31.1.18 IAS39 £000**
Motor finance	261,964	253,971	(172,039)	(178,402)
Property Bridging finance	18,358	10,975	(17,961)	(11,217)
Central	491	247	74,554	77,242
	280,813	265,193	(115,446)	(112,377)

Depreciation of assets for motor finance was £312,000 (2018: £251,000), for property bridging finance was £14,000 (2018: £9,000) and for central was £88,000 (2018: £34,000). Fixed asset additions for motor finance were £418,000(2018: £999,000), for property bridging finance were £26,000 (2018: £44,000) and for central, including capitalisation of a right of use lease asset for head office premises, were £386,000 (2018: £35,000).

The net finance credit for central costs was £2,537,000 (2018: £2,626,000), for motor finance was a cost of £6,539,000 (2018: £5,307,000) and for property bridging finance was a cost of £539,000 (2018: £137,000). The tax charge for central costs was £35,000 (2018: £49,000), for motor finance was a tax charge of £6,377,000 (2018: £5,753,000) and for property bridging finance was a tax charge of £159,000 (2018: tax credit of £56,000).

The significant products in motor finance are car and other vehicle loans secured under hire purchase agreements.

The significant products in property bridging finance are bridging loans secured on poperty.

The assets and liabilities of the Parent Company are classified as central costs net of central finance income.

No geographical analysis is presented because all operations are situated in the United Kingdom.

4. COST OF SALES

	2019 IFRS9 £000	**2018 IAS39 £000**
Loan loss provisioning charge – motor finance	22,980	19,434
Loan loss provisioning charge – property bridging finance	206	162
Total loan loss provisioning charge	23,186	19,596
Other cost of sales – motor finance	15,298	16,977
Other cost of sales – property bridging finance	453	307
Total cost of sales	38,937	36,880

5. FINANCE COSTS (NET)

	2019 IFRS9 £000	**2018 IAS39 £000**
31.5% cumulative preference dividend	142	142
Lease liabilities interest	4	-
Bank loan and overdraft	4,395	2,676
Interest payable and similar charges	4,541	2,818
Interest receivable	-	-
Total finance costs (net)	4,541	2,818

6. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2019 IFRS9 £000	2018 IAS39 £000
Motor finance hire purchase	316,655	295,677
Less: Loan loss provision motor finance	(57,845)	(44,462)
Amounts receivable from customers motor finance	258,810	251,215
Property bridging finance loans	18,621	11,003
Less: Loan loss provision property bridging finance	(368)	(162)
Amounts receivable from customers property bridging finance	18,253	10,841
Amounts receivable from customers	277,063	262,056
Analysis of future due date due		
- Due within one year	94,374	83,459
- Due in more than one year	182,689	178,597
Amounts receivable from customers	277,063	262,056
Analysis of Security		
Loans secured on vehicles under hire purchase agreements	254,742	247,994
Loans secured on property	18,253	10,841
Other loans not secured	4,068	3,221
Amounts receivable from customers	277,063	262,056

The credit risk inherent in amounts receivable from customers is reviewed as per note 2.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. The above analysis of when loans are due is based upon original contract terms which are not rescheduled – the carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2018: £nil).

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

As at 31 January 2019	Not credit Impaired Stage 1: Subject to 12 months ECL £'000	Not Credit Impaired Stage 2: Subject to lifetime ECL £'000	Credit Impaired Stage 3: Subject to lifetime ECL £'000	Total Provision £'000	Amounts Receivable £'000
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

As at 1 February 2018 On transition to IFRS9	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
Motor finance	(12,331)	(122)	(35,059)	(47,512)	295,677
Property bridging finance	-	-	(162)	(162)	11,003
Total	(12,331)	(122)	(35,221)	(47,674)	306,680

The above tables are prepared on an IFRS9 basis. In accordance with the transitional provisions of the standard comparatives have not been restated. Closing total loan loss provisions of £44.62m under IAS39 as at 31 January 2018 were carried forward as opening total loan loss provisions of £47.67m under IFRS9 at 1 February 2018 requiring an adjustment to opening equity before taxation of £3.05m as shown in the consolidated statement of changes in equity above.

Analysis of Loan loss provisions	**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**
At 1 February 18 IAS39				44,624
Impact of IFRS9 adoption				3,050
At 1 February 18 IFRS9	12,331	122	35,221	47,674
Net transfers and changes in credit risk	(4,656)	(55)	16,137	11,426
New loans originated	5,348	29	6,383	11,760
Total impairment charge to income statement	**692**	**(26)**	**22,520**	**23,186**
Utilised provision on write-offs	(207)	(25)	(12,415)	(12,647)
At 31 January 2019 IFRS9	12,816	71	45,326	58,213

7. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £27,989,000 (2018: £24,414,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,003,051 (2018: 11,978,685). There are a total of 133,834 dilutive share options in issue (2018: 148,601). The number of shares used in the diluted eps calculation is 12,065,970 (2018: 12,061,348).

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

	2019 IFRS9 £000	**2018 IAS39 £000**
Operating Profit	39,101	32,978
Finance costs paid	(4,541)	(2,818)
Finance income received	-	-
Tax paid	(5,597)	(5,299)
Depreciation on plant, property and equipment	414	294
Loss on disposal of plant, property and equipment	6	5
Increase in amounts receivable from customers	(18,057)	(68,527)
Increase in trade and other receivables	(337)	(115)
(Decrease)/increase in trade and other payables	(410)	540
Decrease in accruals and deferred income	(237)	(779)
Increase in cost of future share based payments	203	317
Movement in retirement benefit asset/obligations	(15)	(14)
Net cash from/(used in) operating activities	10,530	(43,418)