8 April 2020

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

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2020**

**S&U plc (LSE: SUS), the motor finance and specialist lender, today announces its preliminary results for the year ended 31 January 2020:**

**Key Financials:**

- Profit before taxation ("PBT") up 2% at £35.1m (2019: £34.6m)
- Revenue up 8% at £89.9m (restated 2019: £83.0m)
- Basic earnings per share up 3% at 239.2p (2019: 233.2p)
- Final dividend of 50p per ordinary share to be paid on 10 July 2020 (2019: 51p)
- Amounts receivable from customers increased by 9% to £301.8m (2019: £277.1m)
- Net Borrowings at £117.8m (2019: £108.0m) – gearing at 65.7% (2019: 65.3%)

**Advantage Motor Finance Highlights:**

- 20th successive year of record PBT which rose to £34.0m (2019: £33.6m)
- Over 15% Return on Average Capital Employed before Cost of Funds for the 9th consecutive year
- Over 1.3 million applications were received by Advantage during the year of which only just under 2% were written
- Annual value of net advances 15% higher this year at £149.0m (2019: £129.2m)
- Risk Adjusted Yield 25.5% for year due to slightly higher impairment (2019: 24.6%)
- Net receivables at £280.8m (2019: £258.8m) an increase of 8% and customer numbers are now over 64,000 (2019: 59,000)
- Total annual collections healthy at £196.5m (2019: £181.5m) an increase of 8%

**Aspen Bridging Highlights:**

- PBT in only third year of operation £1.2m (2019: £0.8m)
- Amounts receivable from customers now £21.0m (2019: £18.3m)
- Annual value of advances 35% higher this year at £31.3m
- 154 new loan facilities in 3 years with 112 repaid up to 31 January 2020 and 42 remaining on live book

**Covid-19 impact:**

- Nearly 90% of staff at Advantage, Aspen and Head Office are working from home with some staff redeployed to collections – none are being furloughed
- S&U's strong financial and treasury position and conservative management is exemplified by its significant funding and covenant headroom
- Strong Group cash generative position as sales temporarily fall and collections performance for March 2020 has remained just below normal
- Under-writing reinforced at both Advantage and Aspen to navigate Covid-19 economic shock and potential temporary rise in unemployment
- Early post year end potential reductions in lending, whilst key customer and broker relationships maintained
- Internal stress testing and examination of material uncertainties is a constant process – updated daily
- Due to the uncertainty regarding Covid-19's future impacts, the Group is withdrawing future guidance but will update the market on 9th June 2020.

**Anthony Coombs, Chairman of S&U plc stated:**
"We should never forget that the Coronavirus pandemic is principally a human tragedy and our thoughts and prayers are with those and their families most affected. Nevertheless, the *economic* effects of Covid-19 and the Government's measures to tackle it are both unpredictable and disruptive, and will be felt this year and in those to come. However, as these results demonstrate, S&U's long history of conservative management, a strong treasury position, the skills and flexibility of its workforce and its long-standing relationships with its brokers and loyal customers, will enable us to weather the storm.
We will emerge from the maelstrom stronger, fitter and more determined than ever before to provide the superb service to our customers which has been the hallmark of our success over the past 82 years."

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***A conference call presentation for analysts will be held on 8th April 2020 at 9.30am***

This announcement contains inside information for the purposes of article 7 of EU Regulation 596/2014

## CHAIRMAN'S REVIEW

**Introduction:**
With the possible single exception of the beginning of the 2nd World War, a year after S&U was founded by my grandfather, there has never been a time when the economic and social landscape has altered so significantly.

The explosive but insidious impact of Covid-19 on our daily lives has seen every business, including S&U, embark upon a series of measures to safeguard our workforce, protect our assets, conserve and husband cash, whilst at the same time remaining open for business to our loyal customers and broker partners.

The Government's lockdown will have effects which are both unprecedented and, at present impossible to accurately predict. We followed the advice from the Financial Reporting Council issued last month, so far as is possible at present, to clearly evaluate the risks and economic consequences of an evolving economic landscape in which, hopefully temporarily, the tectonic plates are shifting.

Nevertheless, I describe and comment on the annual results which pre-dated Covid-19's outbreak in Britain and then devote sections to its possible effects later in my Review.

**2019/20**
For the 11th consecutive year, I am again pleased to announce record profits for S&U plc, delivering a slight increase over last year. Group profit before tax for 2019/20 was up 2% to £35.1m (2019: £34.6m) on revenues up by 8% at £89.9m (restated 2019: £83.0m). Yet despite the fundamentals underlying the British economy at our year-end – the lowest unemployment for 46 years, low inflation and a steady growth rate – remaining strong, we live in febrile and fearful times. Just as the political and economic uncertainties were beginning to dissipate following the General Election of last year and the confirmation of Brexit, the Coronavirus pandemic – unprecedented for several generations – has brought clouds of pessimism to what was a brightening sky.

In such a climate the robust foundations which underpin both S&U and its businesses come to the fore. This year these are reflected in amounts receivable from customers of over £300m - an increase of 9% on last year, and over 64,000 customers (2019: 59,000). Group gearing remains low at 65.7% (2019: 65.3%) and our treasury has a large liquidity buffer and gives significant scope for further expansion when market conditions allow.

Advantage, our motor finance business, continues to build its reputation as a leading non-prime motor finance lender in the UK. In addition, Aspen, our property bridging business has, in just its third full year of trading, declared profits of £1.2m, a 44% increase on last year.

**Financial Highlights**
- Profit before tax ("PBT"): £35.1m (2019: £34.6m)
- Revenue £89.9m (restated 2019: £83.0m**)
- Earnings per share ("EPS") = 239.6p (2019: 233.2p)
- Group net assets: £179.5m (2019: £165.4m)
- Group gearing* at 65.7% (2019: 65.3%)
- Treasury – £25m facility added in March 19 and Group facilities post year-end at £155m
- Record Group collections* of £228.8m (2019: £199.8m)
- Dividend of 120p per ordinary share (2019: 118p)

* Key alternative performance measurement definitions are given in note 2.4 below.
** 2019 revenue and cost of sales have been restated with no effect on profit – see note 2.2 below.

As I anticipated last year, 2019 was marked by political pessimism and drift and by low levels of both consumer and business confidence. This resulted in UK economic growth falling to under an annualised rate of 1% compared to more than double that in 2016. For S&U and its mission to produce "steady, sustainable growth", this meant a year of relative pause in our development. We used this to refine our underwriting scorecards, review our product ranges and, at Advantage, to transition to the experienced and energetic leadership of Graham Wheeler, our new motor finance CEO.

Nevertheless, we continued to build our business. Thus, this year Advantage advanced 23,334 new deals, the second highest in its history and an increase of 11% on last year (2019: 21,053); this in a market for used car finance reported by the Finance and Leasing Association to be growing by 4% in the year to December 2019. Equally important, yield and quality continued their gradual improvement as risk adjusted yield* increased to 25.4% (2019: 24.6%).

Aspen adapted well to a sluggish and inactive residential property market. Whilst advances rose to £31.3m (2019: £23.1m), an increase in average loan size to £508,000 from £371,000 in 2018/19 reflected a deliberate upmarket repositioning at conservative average loan to values at the expense of transaction numbers. The sluggish market has also not helped some borrower exits, which have been slower than anticipated. However, overall out of 154 loan facilities underwritten in the 3 years to date including 57 in 2019/20, Aspen has had 112 repayments and 42 remain in the live book which is a creditable performance.

Any finance business must be measured by the strength of its collections and repayments. On total amounts receivable from customers of over £301.8m (2019: £277.1m) up 9% over the year, Group collections were £228.8m, an increase of 14% on a year ago. Stronger growth at Advantage was off-set by a cautious approach to growth at Aspen, which saw net Group borrowings at £117.8m at year end (2019: £108.0m). This continues the Group's traditionally low gearing at 65.7% (2019: 65.3%) and gives ample headroom for future growth.

**Advantage Finance ("Advantage")**

It is now twenty years since we founded Advantage, our Grimsby based motor finance business which offers Hire Purchase products for used car purchases in the non-prime market place. This year Advantage yet again produced record results with PBT reaching £34.0m (2019: £33.6m). Customer numbers reached 64,200 (2019: 59,000) and amounts receivable from customers were at £280.8m, an increase of 8.5% on last year. Yet again the business has achieved a Return on Capital Employed before cost of funds exceeding 15% (accounts note 2.4).

Still more impressive is that this was achieved against a background of unparalleled economic and political uncertainty and a lack of consumer confidence in the motor markets generally. Thus, for the second successive year, the new car market contracted by 2.4% to 2.3m million registrations. Happily, the much larger used car market in which Advantage exclusively operates, remained stable at 7.9m transactions. Moreover, according to Motor Finance Magazine and the Finance Leasing Association, both used car values (up 6% on the year) and car finance to pay for them (up 4%) showed increases on 2018.

Just under a third of used car purchases, at 2.5m vehicles are purchased on finance. Of this, Advantage provided facilities on 23,334 vehicles last year (an increase of 11% on 2019) which gave a measure of the significant potential for expansion of this market. Whilst buoyant and recession resistant markets will always attract competition, Advantage's record of responsible service to its customers and its long-term credibility with its broker partners and with the Financial Conduct Authority as our regulator, attracted a record 1.3 million finance applications last year (2019: 1.0m).

Tighter and cautious underwriting, which is continuously refined in our scorecard – together with healthy competition – of course whittled these applications down; it also under-pins Advantage's strong debt quality. Thus, this year saw average amounts receivable from customers during the year increase by 5% to £270.7m while total collections increased by 8% to £196.5m. Early evidence of improving quality was buttressed by an increase in Advantage's risk adjusted yield from 24.6% last year to 25.5% this year (accounts note 2.4).

Of course, Advantage's long-term and consistent profitability record has always rested upon the quality of its organisation, processes and above all its people – quite as much as upon the health of the market it serves. In terms of leadership, this year saw the passing of the baton from Guy Thompson, Advantage's founder MD, and inspiration for the past twenty years, to Graham Wheeler, an equally iconic figure in the motor finance industry and the driving force behind the expansion of Volkswagen motor finance in the UK a decade ago. The transition has, as expected, been smooth and seamless, and, irrespective of the current market disruption, promises still more of the continuous improvement in customer service and sensitivity to the market it serves that has characterised Advantage's history.

**Aspen Bridging**
In its third year of trading, Aspen Bridging, our secured short-term property lending business, produced a record profit of £1.2m, an increase of 44% on last year (2019: £0.8m). This was achieved, even before the Covid-19 induced "shutdown", despite a residential property market stagnating as economic uncertainty and the interminable Brexit process dampened consumer and developer confidence. This was reflected in near static house prices and a flat residential market.
Thus, Savills estimated price increases of 1% to 3% increase per annum, and the Association of Short Term Lenders ("ASTL") reported a doubling of re-possession rates as borrowers found both re-financing and anticipated sale exits more difficult.

Against this background, Aspen's achievement of a Return on average monthly Capital Employed before cost of funds of 8.7% (2019: 8.9%) was commendable and a good platform for double digit rates targeted in the future. Market conditions impacted in three ways. First, transaction numbers fell to 57 agreements against 62 last year. However, the average transaction size at Aspen rose to just over a half a million pounds as the business targeted more professional, and therefore reliable, residential developers and refurbishers. Second, this enabled Aspen's revenue to grow to £4.5m (2019: £2.8m) and its advances to rise to £31.3m from £23.1m a year ago; a sensible and cautious strategy given market conditions. Third, a drive for quality was exemplified by £29.0m of repayments excluding retentions in the year (2019: £15.8m), almost on budget despite a smaller than anticipated book.

As would be expected in a still growing short-term bridging market – the ASTL reported unregulated loans growing by 7% in 2019 – competition remains strong. Nevertheless, Aspen is steadily building a reputation for a careful, bespoke and, if necessary, speedy service for introducing brokers and borrowers. Covid-19's effect on the property market has seen Aspen rein back its lending and concentrate its energies on collections. This involves a full weekly monitoring of its portfolio, new treasury parameters, and even more stringent LTV and valuation requirements. These steps will minimise risk in the short term and provide a sound base for Aspen's careful expansion when market conditions allow.

**Dividends**
Many speculate but no-one knows the course of the Covid-19 pandemic or the speed and shape of the economic recovery which will undoubtedly follow it. Whilst cash conservation is sensible, our strong treasury position and relatively low gearing give us a firm base for the preservation and renewed expansion of our business. Indeed, on current trends the next few months should be cash generative for the Company.

Our usual cautious approach requires us to balance these trends with the interests of our loyal shareholders and institutional partners. S&U's strength has always lain in the identity of interest between its management and shareholders, reflected in its shareholding structure and in its consistent dividend policy. Thus, as earnings per ordinary share have risen over the past six years from 156p to 240p, so this has been reflected in proportionate dividend increases from 66p per ordinary share in 2014/15 to 118p last year.

We have therefore concluded that despite current uncertainties, we should recommend a payment of a final dividend of 50p per ordinary share (2019: 51p) to shareholders on the register at the 19th June 2020. This means that total dividends this year will be 120p per share (2019: 118p) with this total dividend being again covered nearly exactly twice (2019: 1.98). As usual, final dividend will be subject to the approval of shareholders at our AGM, which will now be held by remote means on 9th June 2020.

**Funding**
I refer above to S&U's traditionally conservative approach to funding. We aim for a cost effective and consistent treasury policy which broadly reflects the four to five-year lending terms of our motor finance business, whilst giving us reasonable headroom for growth. Hence in the past year net borrowing has risen from £108m to £117.8m, due to a combination of greater than anticipated growth at Advantage against slow expansion at Aspen. After the year-end, we have replaced our £25m facility maturing in March 2021 with a new £20m facility maturing in March 2025 and the maturity on our £60m evergreen revolving credit facility has moved forward a year as planned to March 2023. This results in total facilities of £155m with our gearing remaining at 65.7% (2019: 65.3%).

We expect our borrowing requirements to accelerate the trend evident since year-end by falling significantly over the next four months, as demand for our products falls and our collection performance proves relatively resilient. Less than a month into the pandemic, consistent trends are impossible to discern. Nevertheless, current performance points to a period of nominal transactions in motor finance as brokers close or furlough staff – and very little bridging activity in a "frozen" residential property market. I anticipate these trends continuing at least until the 1st July 2020. Our collections performance for March 2020 remains just below normal, although declining incomes and a temporary increase in unemployment, will undoubtedly see customers payments lower than last year and many falling into arrears. Forbearance and the extra work on customer contact and relations being done by our collections teams at Advantage, should encourage customers to "stay in their cars", minimise any decline and encourage customers to resume normal payments when the pandemic recedes.

Overall, even on severe assumptions as to the length of the pandemic and its effect on our business, the Group should remain significantly cash generative, giving us a firm base for a resumption of more normal trading when market conditions allow.

**Governance and Regulation**

The UK Financial Reporting Council (FRC) has clarified the requirements for the section 172 statement for all companies. This outlines how directors have fulfilled their responsibilities under the Companies Act 2006.

Although the detail required by Regulators and Investor Institutions has increased again this year – particularly on our environmental and community responsibilities, I continue to hope that investors and their representatives will heed the FRC's advice issued last year when it updated the Corporate Governance Code. This specifically eschewed a tick-box approach to shareholder voting recommendations and reminded us that adherence to the Code (and any derogation from it) ought to reflect the "size, complexity, history and ownership structure of the company". Most of all the FRC recommended a "thoughtful and proportionate approach to these matters". Although there was little evidence last year, I remain optimistic that this more proportionate and common-sense approach will be adopted in future.

The regulatory landscape in which our businesses operate has been generally benign over the past year. As part of the FCA review on motor finance, Advantage, along with other significant industry players, participated in an FCA questionnaire. The FCA's response was encapsulated in a letter to all motor finance firms in January this year. This laid out the FCA's continued vigilance on consumer transparency, on accurate and updated affordability calculations and its concern over certain types of broker commission arrangements – never used by Advantage.

All of the FCA's concerns are reflected in the way that Advantage has always operated and it continues to try to be vigilant both within its business and by engaging with horizon scanning via its expert lawyers Shoosmiths and through increased engagement with its trade body the Finance and Leasing Association (FLA). Indeed, this year it is delighted that Graham Wheeler, the new CEO, is to serve on the FLA's Executive body.

Finally, whilst Aspen Bridging operates solely in the unregulated lending market, it nevertheless aims to adopt standards of lending and customer dealing which for prudential and moral reasons reflect those required by the FCA in the Regulated Sector.

During the year the requirements of IFRS16 and its relation to IFRS9 have been reviewed. Emerging market practice and interpretation, which we understand is affecting other companies in our sector, is different to that adopted by the Company after taking guidance in the prior year. We are therefore required to make prior year adjustments to revenue and impairment, as agreed with our auditor, which are detailed later in this report. These adjustments have no effect on either our profits before tax or net assets.

**Covid-19 – Actions**

The extent of the impact of the Covid-19 pandemic and its effect on the life of the nation only became fully apparent on the week-end of 14th/15th March 2020. The Government mandated "lockdown" began the following week and has tightened since.

S&U has put in place the following measures:

First, staff were withdrawn from offices and all at Advantage, Aspen and Head Office are now able to operate from home. In both businesses TCF and forbearance, as well as commercial wisdom, have dictated that some staff be re-assigned to liaise with existing customers, as opposed to the welcoming of a dwindling number of new ones.

Second, whilst weekly management information has been maintained remotely, daily reports on both sales and collections activity are now circulated amongst senior management. This enables the business to track the nature and circumstances of any new customers we take on. It also allows us to quickly identify customers who may be struggling with their payments to enable us to encourage, re-assure and, where appropriate, re-schedule.

Third, under-writing criteria in all businesses have been tightened to reflect new uncertainties in income and employment. These apply particularly to groups like the self-employed and those engaged in the retail and catering sectors. Required LTVs have been tightened both at Aspen and Advantage, maximum loans restricted and, for Advantage, required repayment headroom revised.

Fourth, whilst treading very carefully, we are still open for business. Our mutual loyalty and interest between brokers, introducer partners and our loyal staff demand this. That will long live in the memories of our customers and partners when Covid-19 has receded into history.

Fifth, we track our response to the crisis against our customers reactions. Three weeks into lockdown, Advantages Trust Pilot reviews are "excellent" with 87% at that level and 5% at "great."

Finally, we keep close to both our regulators and our funders. Transparency breeds trust – we liaise frequently with our brokers and lenders and - more indirectly through our directors who serve on the FLA Executive Board, with the FCA and the Bank of England.

Overall, our ability to ultimately emerge from the Covid-19 crisis stronger will depend upon our financial strength and traditionally conservative management and, more than anything on our relations with our loyal customers. The last words on this are contained in a letter we received on the 26th March 2020 from an Advantage customer. It read, "I just think the service, compassion, understanding and just general decency from Advantage Finance has been amazing …. I can tell you I slept properly for the first time in weeks last night …. thanks to you and your colleagues". We rest our case.

**Current Trading and Outlook**

The true mettle of any man or woman – or organisations in which they work together, is best judged at times of economic and political uncertainty and pessimism than in times of boom. On this measure, both Advantage and Aspen have risen to the challenge this year.

Now, however, the onset of the Covid-19 virus and the unprecedented disruption surrounding it, pose great challenges for consumers both in Britain and the wider world. S&U has strategies in place and the skills, resilience and experience to meet these challenges. However, they are unprecedented and their effect on the economy at present is unknown, as a result the Group is withdrawing future guidance.

In the longer term, demand in Britain for homes and for cars means that the residential property and motor markets we serve should prove resilient and, with a rising population, offer good opportunities for growth. For at least this year and next these trends may be temporarily suppressed as consumers hunker down during Covid-19, and rebalance their lives afterwards. Nevertheless, we hope for a speedy and sustained recovery.

In any event, S&U's long experience, market antennae, technical capabilities and firm financial base will allow us to adapt robustly so as to gradually return to our record of consistent and sustainable growth of the past two decades. All of this would be impossible without the commitment, skills and versatility of all who work with us, to whom I pay heart-felt tribute.

As Henry Luce, the founder of Time magazine once observed, "business is a continual calculation, an intuitive exercise in foresight." Whilst today foresight is in short supply, over eighty years of history gives S&U the strength, realism, ambition and expertise to allow us great confidence in the future.

**Anthony Coombs**

**Chairman**

**7 April 2020**

## CONSOLIDATED INCOME STATEMENT

**Year ended 31 January 2020**

| | Note | 2020 £'000 | 2019 £'000 restated |
|---|---|---|---|
| **Revenue** | 3 | **89,939** | 82,970 |
| Cost of Sales | 4 | **(37,092)** | (32,692) |
| **Gross Profit** | | **52,847** | 50,278 |
| Administrative expenses | | **(12,863)** | (11,177) |
| **Operating profit** | | **39,984** | 39,101 |
| Finance costs (net) | 5 | **(4,850)** | (4,541) |
| **Profit before taxation** | | **35,134** | 34,560 |
| Taxation | | **(6,252)** | (6,571) |
| **Profit for the year attributable to equity holders** | | **28,882** | 27,989 |
| Earnings per share basic | 7 | **239.6p** | 233.2p |
| Earnings per share diluted | 7 | **239.4p** | 232.0p |
| **Dividends per share** | | | |
| - Proposed Final Dividend | | **50.0p** | 51.0p |
| - Interim dividends in respect of the year | | **70.0p** | 67.0p |
| - Total dividend in respect of the year | | **120.0p** | 118.0p |
| - Paid in the year | | **120.0p** | 109.0p |

All activities derive from continuing operations.

2019 comparatives have been restated for a change in recognition of revenue on credit impaired receivables in Motor Finance which has resulted in a reduction of revenue and cost of sales but has had no impact on profit. See note 2 to the financial information.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Profit for the year attributable to equity holders** | **28,882** | 27,989 |
| Actuarial loss on defined benefit pension scheme | **(14)** | (15) |
| Total Comprehensive Income for the year | **28,868** | 27,974 |

Items above will not be reclassified subsequently to the Income Statement

**CONSOLIDATED BALANCE SHEET**
**31 January 2020**

| | Note | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment including right of use assets | | **2,108** | 2,296 |
| Amounts receivable from customers | 6 | **195,604** | 182,689 |
| Deferred tax assets | | **94** | 398 |
| | | **197,806** | 185,383 |
| **Current Assets** | | | |
| Amounts receivable from customers | 6 | **106,146** | 94,374 |
| Trade and other receivables | | **1,473** | 1,055 |
| Cash and cash equivalents | | **656** | 1 |
| | | **108,275** | 95,430 |
| **Total Assets** | | **306,081** | 280,813 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Bank overdrafts and loans | | **-** | (38) |
| Trade and other payables | | **(3,126)** | (2,139) |
| Tax Liabilities | | **(3,697)** | (3,995) |
| Accruals and deferred income | | **(601)** | (550) |
| | | **(7,424)** | (6,722) |
| **Non current liabilities** | | | |
| Borrowings | | **(118,500)** | (108,000) |
| Lease Liabilities | | **(233)** | (274) |
| Financial Liabilities | | **(450)** | (450) |
| | | **(119,183)** | (108,724) |
| **Total liabilities** | | **(126,607)** | (115,446) |
| **NET ASSETS** | | **179,474** | 165,367 |
| **Equity** | | | |
| Called up share capital | | **1,715** | 1,701 |
| Share premium account | | **2,301** | 2,301 |
| Profit and loss account | | **175,458** | 161,365 |
| **Total equity** | | **179,474** | 165,367 |

**STATEMENT OF CHANGES IN EQUITY**
**Year ended 31 January 2020**

| | Called up share capital £'000 | Share premium account £'000 | Profit and loss account £'000 | Total equity £'000 |
|---|---|---|---|---|
| At 1 February 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 credit on equity items | - | - | 490 | 490 |
| Dividends | - | - | (13,080) | (13,080) |
| At 31 January 2019 | 1,701 | 2,301 | 161,365 | 165,367 |
| Profit for year | - | - | 28,882 | 28,882 |
| Other comprehensive income for year | - | - | (14) | (14) |
| Total comprehensive income for year | - | - | 28,868 | 28,868 |
| Issue of new shares in year | 14 | - | - | 14 |
| Cost of future share based payments | - | - | 99 | 99 |
| Tax charge on equity items | - | - | (413) | (413) |
| Dividends | - | - | (14,461) | (14,461) |
| At 31 January 2020 | 1,715 | 2,301 | 175,458 | 179,474 |

## CONSOLIDATED CASH FLOW STATEMENT
**Year ended 31 January 2020**

| | Note | 2020<br>£'000 | 2019<br>£'000 |
|---|---|---|---|
| **Net cash from/(used in) operating activities** | 8 | 4,946 | 10,530 |
| **Cash flows used in investing activities** | | | |
| Proceeds on disposal of property, plant and equipment | | 40 | 45 |
| Purchases of property, plant and equipment | | (305) | (830) |
| Net cash used in investing activities | | (265) | (785) |
| **Cash flows (used in)/from financing activities** | | | |
| Dividends paid | | (14,461) | (13,080) |
| Issue of new shares | | 14 | 14 |
| Receipt of new borrowings | | 10,459 | 4,274 |
| Repayment of borrowings | | - | - |
| Net decrease in overdraft | | (38) | (953) |
| Net cash (used in)/from financing activities | | (4,026) | (9,745) |
| **Net decrease in cash and cash equivalents** | | 655 | - |
| **Cash and cash equivalents at the beginning of year** | | 1 | 1 |
| **Cash and cash equivalents at the end of year** | | 656 | 1 |
| **Cash and cash equivalents comprise** | | | |
| Cash and cash in bank | | 656 | 1 |

There are no cash and cash equivalent balances which are not available for use by the Group (2019: £nil).

## 1. SHAREHOLDER INFORMATION

### 1.1 Preliminary Announcement

The figures shown for the year ended 31 January 2020 are not statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2020 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 2019 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 12.30pm on 9 June 2020 and further details of arrangements will be published in the AGM notice.

### 1.3 Dividend

If approved at the Annual General Meeting a final dividend of 50p per Ordinary Share is proposed, payable on 10 July 2020 with a record date of 19 June 2020.

### 1.4 Annual Report

The 2020 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 2020 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. We have also prepared our S&U plc Company financial statements in accordance with IFRS endorsed by the European Union. These financial statements have been prepared under the historical cost convention. The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries for the year ended 31 January 2020. As discussed in the strategic report, 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 annual report and accounts.

There are no new standards which have been adopted by the group this year which have a material impact on the financial statements of the Group. This follows the adoption of IFRS9 and IFRS16 in our accounts last year.
At the date of authorisation of these financial statements the directors anticipate that the adoption in future periods of any other Standards and interpretations which are in issue but not yet effective, will have no material impact on the financial statements of the Group.

### 2.2 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.

Changes to revenue recognition in 2020

In preparing the 2020 financial statements, the group has changed how they account for revenue in relation to revenue recognition for lease agreements within Advantage Finance, which are classified as credit impaired (i.e. stage 3 assets under IFRS 9). In 2019, the group recognised revenue on credit impaired receivables 'gross' of the impairment provision and impaired this additional revenue through the impairment charge resulting in a gross-up in the income statement. On reviewing its accounting policies in preparing the 2020 financial statements, the group has determined that revenue should be recognised 'net' of the impairment provision to align the accounting treatment under IFRS 16 with the requirements of IFRS 9 and also with the treatment adopted for similar assets in Aspen.

The group has concluded that the change in accounting on the 2019 financial statements represents a material change and accordingly has restated the 2019 income statement balances in the 2020 financial statements. The restatement results in a reduction in Advantage's revenue and impairment in 2019 of £6.3m with no impact on profit before tax, earnings per share, retained earnings or the balance sheet.

### 2.3 Impairment and measurement of amounts receivable from customers

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 IFRS9 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.

### 2.3 Impairment and measurement of amounts receivable from customers (continued)

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 macroeconomic overlay assessments for 31 January 2020 and 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 to reflect this macroeconomic outlook.
There were no significant changes to estimation techniques applied to the calculations used at 31 January 2020 and those used at 31 January 2019.

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.

### 2.4 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 amounts receivable from customers 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 were affected by the adoption of new accounting standards IFRS9 and IFRS16 and risk adjusted yield is considered a more historically comparable guide to receivables performance.

iii) 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)

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.

vi) Group collections are the total monthly collections, settlement proceeds and recovery collections in motor finance added to the total amount retained from advances, customer redemptions and recovery collections in property bridging.

### 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 31.1.20 £'000** | **Year ended 31.1.19 £'000** restated | **Year ended 31.1.20 £'000** | **Year ended 31.1.19 £'000** |
| Motor finance | 85,465 | 80,127 | 34,027 | 33,640 |
| Property Bridging finance | 4,474 | 2,843 | 1,205 | 838 |
| Central costs net of central finance income | - | - | (98) | 82 |
| | 89,939 | 82,970 | 35,134 | 34,560 |

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Class of business** | **Year ended 31.1.20 £'000** | **Year ended 31.1.19 £'000** | **Year ended 31.1.20 £'000** | **Year ended 31.1.19 £'000** |
| Motor finance | 283,776 | 261,964 | (178,836) | (172,039) |
| Property Bridging finance | 21,204 | 18,358 | (19,791) | (17,961) |
| Central | 1,101 | 491 | 78,989 | 74,554 |
| | 306,081 | 280,813 | (119,638) | (115,446) |

Depreciation of assets for motor finance was £337,000 (2019: £312,000), for property bridging finance was £17,000 (2019: £14,000) and for central was £96,000 (2019: £88,000). Fixed asset additions for motor finance were £278,000 (2019: £418,000), for property bridging finance were £9,000 (2019: £26,000) and for central were £18,000 (2019: £386,000).

The net finance credit for central costs was £2,607,000 (2019: £2,537,000), for motor finance was a cost of £6,597,000 (2019: £6,539,000) and for property bridging finance was a cost of £861,000 (2019: £539,000). The tax credit for central costs was £7,000 (2019: tax charge of £35,000), for motor finance was a tax charge of £6,031,000 (2019: £6,377,000) and for property bridging finance was a tax charge of £229,000 (2019: £159,000).

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 property.

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

| | 2020 £'000 | 2019 £'000 restated |
|---|---|---|
| Loan loss provisioning charge – motor finance | 16,507 | 16,735 |
| Loan loss provisioning charge – property bridging finance | 713 | 206 |
| Total loan loss provisioning charge | 17,220 | 16,941 |
| Other cost of sales – motor finance | 19,238 | 15,298 |
| Other cost of sales – property bridging finance | 634 | 453 |
| Total cost of sales | 37,092 | 32,692 |

## 5. FINANCE COSTS (NET)

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| 31.5% cumulative preference dividend | 142 | 142 |
| Lease liabilities interest | 4 | 4 |
| Bank loan and overdraft | 4,704 | 4,395 |
| Interest payable and similar charges | 4,850 | 4,541 |
| Interest receivable | - | - |
| Total finance costs (net) | 4,850 | 4,541 |

## 6. AMOUNTS RECEIVABLE FROM CUSTOMERS

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Motor finance hire purchase | 344,131 | 316,655 |
| Less: Loan loss provision motor finance | (63,374) | (57,845) |
| Amounts receivable from customers motor finance | 280,757 | 258,810 |
| Property bridging finance loans | 21,949 | 18,621 |
| Less: Loan loss provision property bridging finance | (956) | (368) |
| Amounts receivable from customers property bridging finance | 20,993 | 18,253 |
| Amounts receivable from customers | 301,750 | 277,063 |

Analysis of future due date due

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| - Due within one year | 106,146 | 94,374 |
| - Due in more than one year | 195,604 | 182,689 |
| Amounts receivable from customers | 301,750 | 277,063 |

Analysis of Security

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| Loans secured on vehicles under hire purchase agreements | 275,744 | 254,742 |
| Loans secured on property | 20,993 | 18,253 |
| Other loans not secured | 5,013 | 4,068 |
| Amounts receivable from customers | 301,750 | 277,063 |

## 6. AMOUNTS RECEIVABLE FROM CUSTOMERS (CONTINUED)

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

| As at 31 January 2020 | Not credit Impaired<br>Stage 1: Subject to 12 months ECL<br>£'000 | Not credit Impaired<br>Stage 2: Subject to lifetime ECL<br>£'000 | Credit Impaired<br>Stage 3: Subject to lifetime ECL<br>£'000 | Total Provision<br>£'000 | Amounts Receivable<br>£'000 |
|---|---|---|---|---|---|
| Motor finance | (13,375) | (51) | (49,948) | (63,374) | 344,131 |
| Property bridging finance | (228) | - | (728) | (956) | 21,949 |
| Total | (13,603) | (51) | (50,676) | (64,330) | 366,080 |

| As at 31 January 2019 | Stage 1: Subject to 12 months ECL<br>£'000 | Stage 2: Subject to lifetime ECL<br>£'000 | Stage 3: Subject to lifetime ECL<br>£'000 | Total Provision<br>£'000 | Amounts Receivable<br>£'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 |

| Analysis of Loan loss provisions | Stage 1: Subject to 12 months ECL<br>£'000 | Stage 2: Subject to lifetime ECL<br>£'000 | Stage 3: Subject to lifetime ECL<br>£'000 | Total Provision<br>£'000 |
|---|---|---|---|---|
| At 1 February 2018 | 12,331 | 122 | 35,221 | 47,674 |
| Net transfers and changes in credit risk restated | (4,656) | (55) | 9,892 | 5,181 |
| New loans originated | 5,348 | 29 | 6,383 | 11,760 |
| Total impairment charge to income statement restated | **692** | **(26)** | **16,275** | **16,941** |
| Amounts netted off against revenue for stage 3 assets | - | - | 6,245 | 6,245 |
| Utilised provision on write-offs | (207) | (25) | (12,415) | (12,647) |
| At 31 January 2019 | 12,816 | 71 | 45,326 | 58,213 |
| Net transfers and changes in credit risk | (5,539) | (41) | 8,293 | 2,713 |
| New loans originated | 6,551 | 30 | 7,926 | 14,507 |
| Total impairment charge to income statement restated | **1,012** | **(11)** | **16,219** | **17,220** |
| Amounts netted off against revenue for stage 3 assets | - | - | 7,292 | 7,292 |
| Utilised provision on write-offs | (225) | (9) | (18,161) | (18,395) |
| At 31 January 2020 | 13,603 | 51 | 50,676 | 64,330 |

The credit risk inherent in amounts receivable from customers is reviewed as per note 2.3 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 (2019: £nil).

### 7. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share from continuing operations is based on profit after tax of £28,882,000 (2019: £27,989,000).

The number of shares used in the basic eps calculation is the weighted average number of shares in issue during the year of 12,056,027 (2019: 12,003,051). There are a total of 30,667 dilutive share options in issue (2019: 133,834). The number of shares used in the diluted eps calculation is 12,066,617 (2019: 12,065,970).

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

| | **2020** | **2019** |
|---|---|---|
| | **£'000** | **£'000** |
| **Operating Profit** | 39,984 | 39,101 |
| Finance costs paid | (4,850) | (4,541) |
| Finance income received | 0 | 0 |
| Tax paid | (6,659) | (5,597) |
| Depreciation on plant, property and equipment | 450 | 414 |
| Loss on disposal of plant, property and equipment | 3 | 6 |
| Increase in amounts receivable from customers | (24,687) | (18,057) |
| Increase in trade and other receivables | (418) | (337) |
| Increase/(decrease) in trade and other payables | 987 | (410) |
| (Decrease)/increase in accruals and deferred income | 51 | (237) |
| Increase in cost of future share based payments | 99 | 203 |
| Movement in retirement benefit asset/obligations | (14) | (15) |
| **Net cash from/(used in) operating activities** | 4,946 | 10,530 |