

S&U plc

The Credit you Deserve

**Serving the UK's non-standard finance market
Full Year Results to 31st January 2009**



Serving our Customers

Home Credit

- 500 Representatives visit over 125,000 loyal customers every week
- UK wide coverage and significant expansion potential. 3rd largest in industry
- Small “relationship” loans underpin debt quality

Motor Finance

- Advantage Finance – 10th Anniversary of Used Car Market finance
- 12,000 + customers – 70% broker originated
- High credit quality and 9 years of continuous profit growth



Financial Highlights

- PBT before exceptionals at £8.6m (2008: £8.6m)
- EPS at 50.1p (2008: 50.8p) – current trading “encouraging”
- Gearing reduced to 72% (2008: 74%) and borrowings reduced with lower finance costs
- 3-5 year funding in place to cover all core borrowing
- Strong cash generation
- 10%+ yield on Ordinary shares with stable dividend policy

Operational Highlights

- Robust profit performance in both divisions
- Shorter term loan books bring strengthening debt quality in both Home Credit and Motor Finance divisions
- 2000 additional home credit customers and improved impairment with good cash generation
- Motor finance revenues up by 10% - record customer applications
- Tightened underwriting criteria protect loan quality for recession



Home Credit



Loansathome4U
CREDIT YOU DESERVE

Welcome Store Cards Home Shopping Enquire About Us

Welcome to Loans4Home4U.com

Loans4Home4U offer you a **local service** with national coverage where all of our products are delivered direct to your home by one of our local customer representatives.

We can offer you **cash loans** from £250, **store cards** with Argos and Homebase stores, and an extensive home shopping **catalogue**.

All from the comfort of your own home.

This straightforward and convenient type of facility could be just what you are looking for. Deal with confidence with a company that has over **65 years experience** in providing valuable financial services to its customers.

We listen to you, and give you a fair assessment when dealing with your application.

To enquire about one or more of our products, please start by entering your postcode in the box below and then 'Click to Enquire'

Please enter your home postcode: (i.e. B91 3QQ or DN06 9BG)

Click to Enquire 

Why choose us?

- ✓ **Products** delivered direct to your home
- ✓ **Purchases** from our **HP catalogue**
- ✓ **Payments collected from your home**
- ✓ Your own **personal account manager**
- ✓ **No hidden charges**
- ✓ **Fixed interest rates**



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Home Credit

- 5 new branches opened – for expansion and management control
- Loansathome4u brand introduced for all home credit operations
- New Debt Management/Legal Centre set up in Hanley, Staffs
- Rise in short term loans increases debt quality and reduces impairment
- Current marketing and arrears operations centralised and co-ordinated
- Tighter cost control and stable margins

New Home Credit Catalogue

4 SPRING & SUMMER CATALOGUE 2009

THAT'S ENTERTAINMENT

FULL HD



HYUNDAI 40" HD READY LCD TV WITH FREEVIEW

- Multi-memory card reader/play, enabling the access of 16 channel programmes via only 3 different remote-controls
- Aspect ratio: 16:9
- Longview: 1000hr*
- Content: HD/1080i
- Resolution: 1366 x 768 (HD)
- Response time: 8ms
- Viewing angle: 179°/178°
- Built-in DTV
- Warranty: 3 year contract and repair service

40" (100cm) viewing screen
Multi LCD ready plasma TV
1024x768 pixels

1.2kg (approx)
100,000 hours panel life
1475 contrast ratio 10,000:1
V-View 7 picture technology
V-Module for better picture
V-Resonant 1000Hz FOC panel

TYPICAL CASH PRICE: £384.99
TOTAL AMOUNT PAYABLE: £1000
24 MONTH FINANCE ORDER: 0400

HD READY



HYUNDAI 42" HD READY LCD TV WITH FREEVIEW

- Multi-memory card reader/play, enabling the access of 16 channel programmes via only 3 different remote-controls
- Aspect ratio: 16:9
- Longview: 1000hr*
- Content: HD/1080i
- Resolution: 1366 x 768 (HD)
- Response time: 8ms
- Viewing angle: 179°/178°
- Built-in DTV
- Warranty: 3 year contract and repair service

42" (107cm) viewing screen
Multi LCD ready plasma TV
1024x768 pixels

1.2kg (approx)
100,000 hours panel life
1475 contrast ratio 10,000:1
V-View 7 picture technology
V-Module for better picture
V-Resonant 1000Hz FOC panel

TYPICAL CASH PRICE: £384.99
TOTAL AMOUNT PAYABLE: £1000
24 MONTH FINANCE ORDER: 0400

FULL HD



PHILIPS 42" FULL HD 1080P LCD TV

- Screen: 42"
- Aspect ratio: 16:9
- Resolution: 1920 x 1080
- Luminance: 1000cd/m²
- Contrast ratio: 10000:1
- Response time: 8ms
- D-HDR: 10000:1
- 1000Hz FOC panel
- 1000Hz FOC panel
- Picture: 1000Hz FOC panel

Full HD 1080p Panel (1920 x 1080) Conventional WGA Panel (1366 x 768)

TYPICAL CASH PRICE: £384.99
TOTAL AMOUNT PAYABLE: £1000
24 MONTH FINANCE ORDER: 0400

2009 Catalogue

Spring | Summer









20+ NEW PRODUCTS **FREE HOME DELIVERY** **Loansathome 4U**

the credit you deserve

HOME COMFORTS

MORPHY RICHARDS FAMILY AND PETS 2000 WATTS BAGLESS CLEANER

- 2000watts with Eco-switch - 4 lbs capacity
- 200 litres
- Easy carry handle
- Cable-wound
- HEPA filter
- Simply easy clean
- Washable HEPA filter
- Park and storage position for cable
- Free tool & star tool

TYPICAL CASH PRICE: £119
TOTAL AMOUNT PAYABLE: £1192
24 MONTH FINANCE ORDER: 7807

NEW

DYSON DC19

- Cylinder vacuum cleaner
- Filtration technology
- Dimensions: 440 x 210 x 140mm (H x W x D)
- Weight: 3.5kg (approx)
- Cable power: 2000watts
- Bin capacity: 2 litres
- Cord length: 6.5 metres
- Max reach: 10 metres
- Crevice tool
- 2.5m floor tool
- Crevice tool
- Full Out™ floor tool
- 3 year guarantee

TYPICAL CASH PRICE: £219
TOTAL AMOUNT PAYABLE: £2194
24 MONTH FINANCE ORDER: 0919

MORPHY RICHARDS PRECISE STEAM CLEANER

- Ideal for allergy sufferers
- Powerful stainless steel boiler
- 1000watt solder cap
- 100°C steam temperature
- Prevents hot dust mist without using chemicals
- 2m roller strap for easy carrying
- Cable & hose storage
- On board tools
- 1.5 litre capacity

TYPICAL CASH PRICE: £79
TOTAL AMOUNT PAYABLE: £794
24 MONTH FINANCE ORDER: 7836

NEW

MORPHY RICHARDS ESSENTIALS CYCLONE 6000 WATTS BAGLESS UPRIGHT

- 6000 watts
- 2.5 metres
- On board tools
- 1000watts cleaning motor
- Floor height adjustment
- Crevice tool
- Cable length: 7 metres
- Easy to carry
- Large capacity 2.7 litre

TYPICAL CASH PRICE: £89
TOTAL AMOUNT PAYABLE: £894
24 MONTH FINANCE ORDER: 7883

MORPHY RICHARDS ECO 2000 WATT PERFORMANCE UPRIGHT

- 2000 watt performance 8m x 1000watts motor
- 1000 watt high efficiency
- Weight: 5.4 kilograms
- 4.5 litres dust container
- Compact package
- Full height star cleaning
- Check to clean
- 1.820 litres
- 1m x motor - independent fan/brush control
- Priorities handlebar controls
- Free & star tool plus 5 additional accessories
- Turbo brush

TYPICAL CASH PRICE: £119
TOTAL AMOUNT PAYABLE: £1192
24 MONTH FINANCE ORDER: 7888

Motor Finance



[Home](#) [Customers](#) [Dealers](#) [Corporate](#)

Credit Where It's Due!

Welcome to the home of Advantage Finance Ltd.

We are a leading supplier of specialist finance facilities, via motor dealers throughout the UK, that facilitate the purchase of new and used cars, vans, motorbikes and caravans. Our individual approach ensures that we can often help in cases where others can't.

Our finance products allow motor dealers throughout the UK to provide credit facilities to many customers who may otherwise be unable to get the finance arranged. Advantage Finance Ltd is therefore a useful addition to the finance portfolio of any successful motor dealer.

Please use the links on the right to go to the section of the site that interests you, and thank you for visiting the Advantage website!



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Motor Finance

- Loan applications at 10,000 per month of which 300-400 transacted
- 10% revenue growth as non and sub-prime competitors withdraw from market
- Automated underwriting hurdles increased substantially in year to ensure debt quality in recession
- 69% of customers up to date – this reflects high quality customer intake and fewer early redemptions
- Increased average lending rate and lower average advance protect margins and reduce risk
- Cash generation improving

HCC: 12 Months to 31 January 2009

- 3.3% reduction in revenue reflects shortened term book debt – overall sales and margins stable.
- Reduced impairment reflects stronger arrears control.
- Expenses stable and borrowings and finance costs reducing.
- Gross margins reflect additional £250,000 rebate charge.



£m	Jan 09	Jan 08	Change %
Revenue	32.0	33.1	-3.3
Cost of Sales	-1.3	-1.4	-6.9
Impairment	-7.7	-7.8	-1.2
Admin Exp	-17.5	-17.6	-0.1
Finance Costs	-0.1	-0.3	
PBT	5.4	6.0	-9.5

Motor Finance: 12 Months to 31 January 2009

- 10% growth in revenue – taking advantage of withdrawal of non prime competitors.
- 38% fewer early redemptions due to customers trading on less often.
- 69% up to date reflecting initial quality and fewer early redemptions. Slower actual and expected legal recoveries reflected in increased impairment charge.
- Reduced cost of sales (automation) but increased collection and compliance expenses.
- Improved margins as interest/advance ratio rises.



£m	Jan 09	Jan 08	Change %
Revenue	14.2	12.9	+10.2
Cost of Sales	-2.4	-2.4	-1.7
Impairment	-4.8	-4.1	+17.1
Admin Exp	-2.1	-1.8	+18.3
Finance Costs	-1.7	-2.0	-10.9
PBT	3.2	2.6	+21.0

Group Cash Flow

Six months to Jan 2009:

- Group borrowing from £32.3m to £31.3m.
- Both HC and Motor Finance divisions now cash generative.

Twelve months to Jan 2009:

- Stable and cash generative HCC, growth in deals and slowdown in early redemptions in Motor Finance.

Twelve months to Jan 2008:

- Borrowings benefited from corporation tax refund £0.7m H1.

£m	Jan 09	Jan 08
Balance b/f	-31.3	-31.6
Cash outflow	+0.0	+0.3
Balance c/f	-31.3	-31.3
Analysis		
HCC	+0.9	-1.5
Motor	-32.1	-29.8
Balance c/f	-31.3	-31.3

Cash Flow 12 months to 31 January by Division

HCC

- Stable advances.
- Collections maintained on lower book debt.
- IFRS related corporation tax refund in 2008.

£m	Jan 09	Jan 08
Balance b/f	-1.5	-4.7
Advances	-45.8	-45.8
Collections	54.7	54.9
Setts/reloans	15.1	15.4
2 nd Mortgage Pilot	0.3	0.2
Ohds/int etc	-17.7	-17.5
Corp Tax	-1.4	-1.1
Dividend	-2.8	-2.9
Balance c/f	+0.9	-1.5

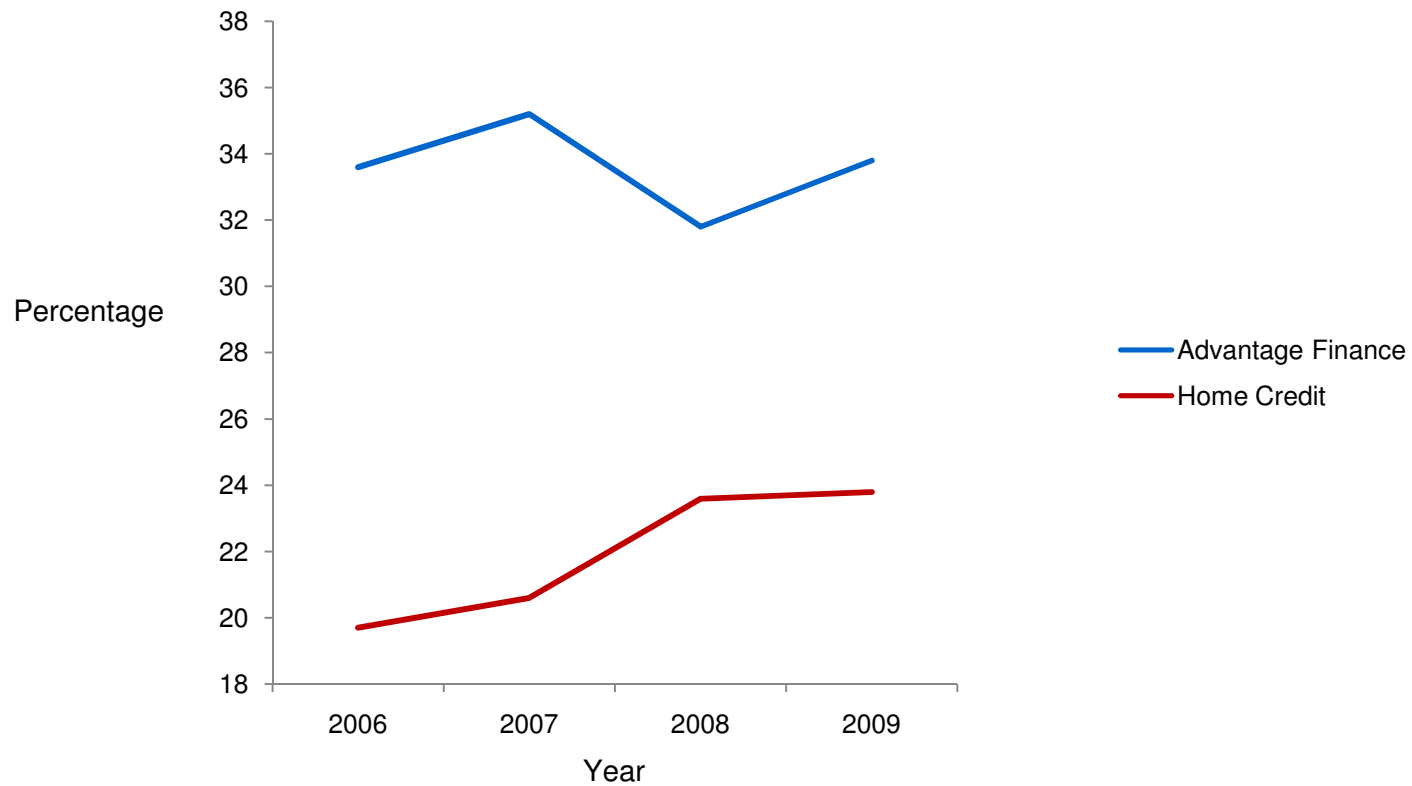
Motor Finance

- Advances stable (lower in H2).
- Early redemptions and debt recovery income slowed further.
- Collections stable and up 14% on last year.
- Business cash generative in H2.

£m	Jan 09	Jan 08
Balance b/f	-29.8	-26.9
Advances	-20.3	-20.4
Collections	19.1	16.8
Setts/reloans	4.4	5.4
Debt recovery	2.3	2.9
Ohds/int etc	-6.1	-5.9
Corp Tax	-0.8	-0.7
Dividend	-1.1	-1.0
Balance c/f	-32.3	-29.8

Impairment Graph

Annual percentage impairment to revenue



Balance Sheet and Financing

- Gearing at 72% (2008: 74%) and falling.
- £28m of medium-term facilities.
- £29m of current borrowing.
- £8m of facilities headroom for acquisitions and organic growth.
- Stable and conservative dividend cover.
- Net assets up 3.5%.

The Market

- 2.3m home credit customers of a potential 4m in 2004. Lending £1.5bn (Competition Commission 2006).
- Opportunities from consolidation in both home credit and motor finance markets.
- Traditional markets benefiting from “trickle-down” of non-prime customers denied finance.
- Internet applications for home credit now running at 1000 per month.
- Datamonitor – market increase 2.2% pa 1999-2003; 1.7% decline pa 2003-2008; growth of 1.1% pa resumed estimated 2008-2011.

Credit & Risk Management

- All underwriting in home credit sanctioned by independent credit controllers.
- Audit letter system operated and controlled from Head Office.
- Regular physical security checks required and monitored for all customer rounds.
- Minimum income and maximum repayment requirements tightened.
- Advantage Finance - approval rate 15% of applications, of which 20-25% is converted
- Bespoke / Experian underwriting and scoring system and regular batch quality testing.
- State of the art collections/customer relations/diary and monitoring systems.

Outlook

- Current trading encouraging and up on last year.
- Improving debt quality in both divisions despite economic difficulties as customers return to traditional borrowing.
- Slower sales due to customer caution and demanding underwriting potentially offset by larger customer numbers.
- “Shorter” loan book protects quality.
- “Relationship” lending provides platform for growth in more uncertain times.

Summary

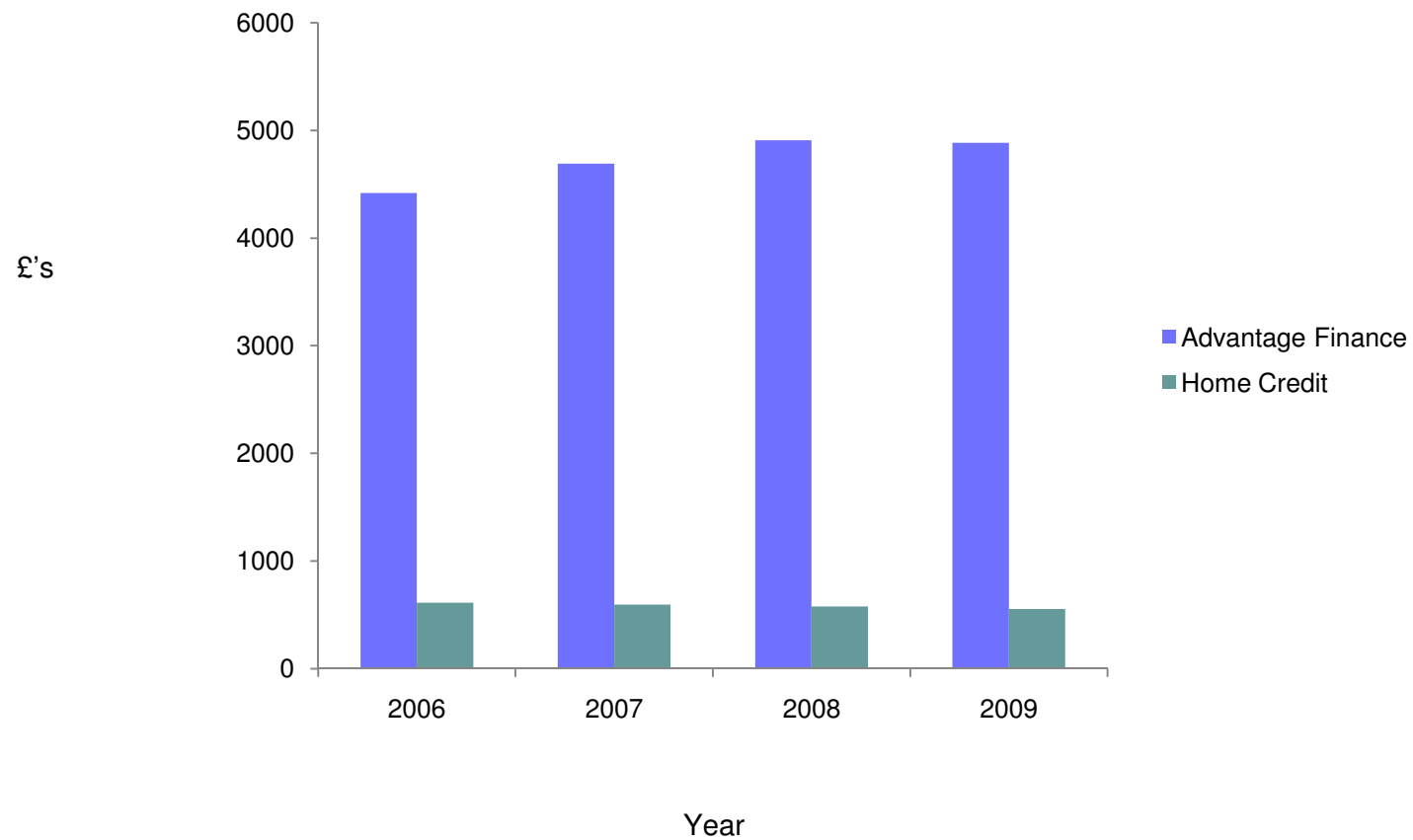
- Solid earnings with potential for selective growth.
- Strong financial position and renewed medium-term funding.
- EPS 50.1p (2008: 50.8p) – stable dividend at 32p and platform for future increases.
- Cash generative Group.
- Well-placed for controlled growth given market opportunities .

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Appendices

Average Loan Size



Profit Growth During Last Recession

- S&Us record in the last recession between 1989-1996

	1989	1990	1991	1992	1993	1994	1995	1996
PBT	£1.9m	£2.8m	£3.4m	£4.3m	£4.5m	£5.6m	£6.1m	£7.0m

Properly controlled S&U can continue to progress throughout a recession.

Target Customer

We aim for good quality, stable, family business.

Every home credit loan is individually sanctioned by independent credit controllers.

- Householder – usually with family – and over 21
- Stable address on voters role
- Employed or stable self-employed
- Bank or building society account
- Minimum weekly net income