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S&U Est 1938

the credit you deserve

ANNUAL REPORT AND ACCOUNTS 2006

S&U Est 1938

the credit you deserve

Welcome to S&U Plc, we are the United Kingdom's foremost niche consumer and motor finance provider, with operations throughout the United Kingdom.

Our strategy is to focus on providing a reliable, consistent and trustworthy service. We are proud to provide 130,000 people throughout the country with their consumer and motor finance requirements.

Financial Highlights

	2006 £000	2005 £000
REVENUE	53,427	50,712
OPERATING PROFIT	10,818	11,068
PROFIT BEFORE TAXATION	9,124	9,550
EARNINGS PER ORDINARY SHARE	54.0p	56.5p
DIVIDEND PER ORDINARY SHARE INTERIM PAID AND FINAL PROPOSED	31.0p	31.0p

"Excellent dividend payment every year since 1988 is our proud achievement"

Financial Calendar

Annual General Meeting			19 May 2006
Announcement of results	Half year ending 31 July 2006 Year ending 31 January 2007		September 2006 March 2007
Payment of dividends	6% Cumulative Preference shares		30 September 2006 & 31 March 2007
	31.5% Cumulative Preference shares		31 July 2006 & 31 January 2007
	Ordinary shares	– 2006 Final Record Date Ex-dividend Date – 2007 Interim	2 June 2006 5 May 2006 3 May 2006 November 2006

Chairman's Statement

"Steady and reliable growth and profitability."

"New opportunities in a more dynamic market."

Results

Good news for S&U Plc which continues to achieve steady and reliable growth and profitability in the face of challenging trading conditions in the UK Consumer Credit Market. Revenue for the year ended 31 January 2006 grew to £53.4m compared to £50.7m for 2005. However, profit on ordinary activities before tax for the year was £9.1m compared to £9.5m for 2005. Earnings per share for 2006 was 54.0p (2005 56.5p), maintaining good cover.

We maintained our dividend at 9p for the first half year's trading and we are also pleased to announce a further 22p for the second half, making a combined proposed dividend of 31p for the year as a whole. The dividend for ordinary shares of 22p per share will be paid on the 2nd June 2006 and the shares will be dealt ex dividend from the 3rd May 2006. Excellent dividend payment every year since 1988 is our proud achievement and we anticipate continuing this trend.

Home Collected Credit

All our three home collected credit companies, S&U, Wilson Tupholme and SD Taylor managed to maintain profits at levels slightly below last year's record results. This has been a challenging year and the second half of the year continued to reflect the flagging consumer demand which I referred to in my interim statement. Our own trading improved markedly during the busy Chistmas period and we look forward to 2006 with a strong team and new opportunities in a more dynamic market.

Advantage Finance Limited – Motor Car Finance

Our motor car finance company Advantage Finance Limited continues to progress and every year is producing rising profits. In more challenging market conditions, a further encouraging advance in profits to £2.24m in 2006 was achieved from £2.07m in 2005. Advantage continues to improve in all areas of business activity and with the calibre of the team we have, I am very confident that these positive results will continue.

Staff

Every company is only as good as the quality and dedication of its staff. S&U is a very labour intensive operation and therefore even more dependent upon its staff. We have a superb team and I must take this opportunity to thank them on your behalf for their contribution during the year.

Outlook for the Group as a whole

Good.

Derek M Coombs
Chairman
7 April 2006

Managing Director's Report

> "Customers enjoy a first class valued and profitable service."

This year I announce a pre-tax profit for S&U Plc of £9.1m, a fall of just under 5% on last year's record result but, given the more challenging trading and regulatory environment I predicted a year ago, a solid performance nevertheless. Group Revenue has increased slightly to £53.4m whilst gross profit rose to £28.1m. Return on capital employed remains a very healthy 16.4%.

S&U has always been conservatively managed and hence our financial position remains strong. Group borrowing ended the year £2.4m higher than 2004-2005, reflecting an additional £3.5m investment in our growing Advantage motor finance business. This was partly funded by our cash generative but relatively mature home credit operations. Group gearing remains low for the sector at 79%.

Over the past year S&U has faced a number of challenges. Most important has been a fall in consumer optimism, evidenced most recently in the British Retail Consortium's January Survey of High Street spending. A slowing economy, historically high levels of consumer debt, rising unemployment and higher taxes and utility prices have all inevitably led to restrictions in customers' disposable incomes. S&U has always maintained sensibly high underwriting standards and therefore such conditions inevitably impact on book debt growth and the collecting environment. Nevertheless Group book debt grew last year by 9.8%; most of this increase was at Advantage Finance which will feed through to profitability in the next 3 years. Impairment charges rose by 9.8% overall, an increase uniform across all operating companies and which partly reflects the new, more conservative, impairment provisioning introduced under IFRS at July half-year.

Operating Results	Year Ended 31 January 2006 £m	Year Ended 31 January 2005 £m
Revenue	**53.4**	50.7
Cost of sales	**25.3**	23.0
Gross profits	**28.1**	27.7
Administrative Expenses	**17.3**	16.7
Operating Profit	**10.8**	11.0
Finance Costs	**1.7**	1.5
Profit before Taxation	**9.1**	9.5

An additional challenge has been the continued interest Government and its minions take in consumer credit in general and the home credit industry in particular. Last year saw significant changes to our home credit and Advantage operations in response to new Form and Content Insurance and Advertising Regulations. Consumer IVAs and bankruptcies have both, as we predicted, risen in line with recent legislation which has made such a step virtually a life style choice for many consumers. Finally the Competition Commission Inquiry into home credit has yet to produce its final report despite, in its Emerging Thinking, confirming our industry's enduring popularity with our customers. I am confident its findings will vindicate home credit as responsible and valued lenders and provide a clear regulatory base for serving our customers over the next 20 years.

Home Credit

Our three home credit subsidiaries continue to provide, at £6.9m profit

Managing Director's Report *(continued)*

before taxation, over 75% of Group earnings. Nonetheless last year saw a decline of 8% on the record profits of the previous year. Both productivity and profit on turnover remain high and steps have been taken to ensure that we resume growth this year.

In particular improvements to internal accounting systems should impact upon slow-paying customers and hence increase the proportion of our customers with whom we can responsibly trade. Our revalidation as Investors in People, and the strengthening of our HR Department will improve the training and hence productivity of both our representatives and branch management. A new IT system is already improving customer communications and analysis and will in future streamline our new loans procedures. In addition we continue to acquire good quality book debt and personnel from our competitors during a period of consolidation within the home credit industry as a whole.

Advantage Finance

Advantage, our Grimsby based motor finance subsidiary, increased profits in a competitive used car market to £2.24m, an increase of 8% on last year. Whilst transactions rose by 7%, revenue improved by 10% as Advantage began to make inroads into higher value better quality sub-prime customers, whilst retaining its traditionally close relationships with smaller car dealerships. Additional investment of £3.5m in the business has produced net receivables up 18% at £30m.

This is a creditable performance; this year we plan further investment on the basis that Advantage will maintain its excellent collections record and tight control of expenses. This is expected to produce accelerated profits growth and a return on assets employed to the level currently achieved by the S&U Group as a whole.

Over the past year we have also been developing the infrastructure for a sub-prime second mortgage based subsidiary, Communitas Finance. If successful this will build upon the skills and customer relationships inherent in our home credit and, in particular, our Advantage Finance subsidiaries.

A pilot scheme began in November and a network of around 15 brokers is currently producing leads for small loans in this market. Interest has been encouraging; payment is very strong and the pilot will be evaluated after the first quarter of this financial year.

Group Profit, Dividend and Earnings Per Share

	Year ended 31 January 2006 £m	Year ended 31 January 2005 £m	6 months ended 31 January 2006 £m	6 months ended 31 January 2005 £m	6 months ended 31 July 2005 £m	6 months ended 31 July 2004 £m
Profit before tax	9.1	9.5	3.8	4.1	5.3	5.4
Profit after tax	6.3	6.6	2.6	2.9	3.7	3.7
Earnings per share	54.0p	56.5p	22.5p	24.7p	31.5p	31.8p
Dividends per share	31.0p	31.0p	22.0p	22.0p	9.0p	9.0p

Although the results reflect the continuing slowdown in sub-prime consumer markets of last year, we judge that improving economic conditions will see renewed growth this year. We therefore propose to maintain our dividend per Ordinary Share, thus making for a final payment of 22p (2005 – 22p) and a total of 31p (2005 – 31p) for the year.

Capital Structure, Liquidity and Treasury

The company's financial position is strong and reflected in our current gearing of just 79% (2005 – 78%). This increase is partly explained by continued investment in Advantage, by the piloting of Communitas and by accounting changes to provisioning policies demanded by the International Financial Reporting Standards for home credit book debt.

Our current bank facilities allow comfortably for anticipated organic growth and for small acquisitions when opportunities arise. Although we regard both the current inflation and interest rate prospects as stable, we have put in place hedging arrangements for £20m of our longer-term debt.

Whilst our corporate rate of taxation remains at 30% for the year, the revaluation of book debt at half-year associated with IFRS has allowed us a one off tax saving of £3m. This will reduce cash flow required for our operations this year.

Prospects

Although the level of consumer indebtedness remains high, I anticipate a higher rate of economic growth this year which, together with a historically firm labour market, should allow our customers to borrow with confidence. Although our underwriting standards will remain high for our sector, we anticipate a growth in new customers particularly from those who are increasingly finding the mainstream banking sector unreceptive. All our businesses are in a position to give these customers precisely the first class valued and profitable service our current customers enjoy.

We can only do this with the support of our loyal, hardworking and committed staff. I thank all of them, our Board of Directors, and most of all our long-standing customers for their excellent support. It is with their loyal support that I anticipate a year of renewed sales growth and further progress for S&U.

Anthony M V Coombs
Managing Director
7 April 2006

Officers and Professional Advisers

Directors

D M Coombs	*(Chairman)*
A M V Coombs MA (Oxon)	*(Managing Director)*
G D C Coombs MA (Oxon) MSc (Lon)	
C Redford ACA	*(Finance Director)*
J G Thompson	
M F Hepplewhite LLB (Hons) FCA	*(Non-executive)*
D Markou MBE FCA	*(Non-executive)*
K R Smith	*(Non-executive)*
F Coombs BA (Lon) MSc (Lon)	*(Non-executive)*

Secretary

C Redford ACA

Registered Office

Royal House
Prince's Gate
Homer Road
Solihull
West Midlands B91 3QQ
Tel: 0121 705 7777

Registrars

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0208 639 3039

Bankers

HSBC Bank plc
130 New Street
Birmingham B2 4JU

Royal Bank of Scotland
5th Floor
2 Saint Phillips Place
Birmingham B3 2RB

Solicitors

Wedlake Bell Solicitors
52 Bedford Row
London WC12 4LR

Stockbrokers

Brewin Dolphin Securities Limited
7 Drumsheugh Gardens
Edinburgh EH3 7QH;
and 5 Giltspur Street
London EC1A 9BD

Auditors

Deloitte & Touche LLP
Chartered Accountants
Birmingham

Directors' Biographies

Derek M Coombs *(Chairman)* *(Nominations Committee)*	Chairman since 1975. Managing Director 1975 to April 1999. Former Member of Parliament. Chairman and Chief Executive, Prospect Publishing Limited. Political journalist. Was previously, non-executive director, Metalrax Group Plc. Chairman, Wentforth Properties since 1987.
Anthony M V Coombs MA (Oxon) *(Managing Director)* *(Nominations Committee)*	Joined S&U in 1975 and was appointed Managing Director in 1999. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. Serves on the Executive of the Consumer Credit Association and chairs its Public Relations Committee and is a director of a number of companies and charities including chairing the trustees of the National Institute for Conductive Education.
Graham D C Coombs MA (Oxon) MSc (Lon)	Joined S&U Plc after graduating from London Business School in 1976. He is responsible for the Group's subsidiaries, Wilson Tupholme Limited and S D Taylor Limited and for property matters.
Chris Redford ACA *(Group Finance Director)*	A chartered accountant with over 10 years business experience in the Fast Moving Consumer Goods, food and travel sectors prior to his appointment as Finance Director of Advantage Finance in 1999. Following a successful start up period for Advantage he was appointed as Group Finance Director with effect from 1 March 2004.
Guy Thompson	Guy joined the Group in 1999 as Managing Director of Advantage Finance and has overseen an excellent performance in their first 7 years. Guy has a strong track record in the finance and motor sectors and since his appointment brings these skills to the Board of S&U Plc.
Mark Hepplewhite LLB (Hons) FCA *(Non-executive)* *(Audit and Remuneration Committees)*	A law graduate and a chartered accountant by profession. He is contracted to act as Finance Director for a substantial group of property companies where he specialises in corporate tax matters.
Demetrios Markou MBE FCA *(Non-executive)* *(Audit and Remuneration Committees)*	A chartered accountant with over 30 years experience in public practice in Birmingham. He has extensive commercial and political experience.
Keith R Smith *(Non-executive)* *(Nominations Audit and Remuneration Committees)*	A former member of The Stock Exchange and a principal in stockbroking firms for more than 30 years. He has been a director of a number of public and private companies and is currently a director of Nabarro Wells & Co Limited, a corporate finance business specialising in advice to smaller public companies.
Fiann Coombs BA (Lon) MSc (Lon) *(Non-executive)*	An economic analyst. He has conducted a six-months' review of the company's operations.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st January 2006.

Activities

The principal activity of the Group continues to be that of consumer credit and car finance throughout England, Wales and Scotland.

Review of developments and future prospects

A review of developments during the year and future prospects is given in the chairman's statement on page 2 and the managing director's report on pages 3 to 5.

Results and dividends

The Group's profit on ordinary activities after taxation was £6,337,000 (2005 – £6,631,000). Dividends of £3,639,000 (2005 – £3,521,000) were paid during the year.

The directors recommend a final dividend, subject to shareholders approval of 22.0p per share (2005 – 22.0p). This, together with the interim dividend of 9.0p per share (2005 – 9.0p) paid during the year, makes a total dividend for the year of 31.0 p per share (2005 – 31.0p).

Directors and their interests

The directors of the company during and after the year and the beneficial interests of the directors at the year end and their immediate families in the shares of the company are set out below:

	At 31 January 2006		At 31 January 2005	
	31.5% Preference shares	Ordinary shares	31.5% Preference shares	Ordinary shares
D M Coombs	70,000	2,856,928	70,000	2,471,241
A M V Coombs	–	543,330	–	543,330
G D C Coombs	–	565,970	–	565,970
M F Hepplewhite	–	7,000	–	7,000
K R Smith	–	15,000	–	15,000
D Markou	–	2,000	–	2,000
F Coombs	–	33,550	–	33,550
J G Thompson	–	–	–	–
C H Redford	–	–	–	–

4,500 of the shares held by Mr M F Hepplewhite are held in trust for Anglo-Malay Consultants Limited, a close company of which he is a shareholder and director.

There were no changes to the directors' interests shown above between 31 January 2006 and 7 April 2006.

In addition, Grevayne Properties Limited, a company of which Messrs G D C and A M V Coombs are directors and shareholders, owned 298,048 ordinary shares in the company at 31 January 2006 (2005 - 298,048). During the year the company obtained supplies amounting to £12,346 (2005 - £9,687) from Grevayne Properties Limited. The amount due to Grevayne Properties Limited at the year end was £nil (2005 - £nil).

The directors had no interests in the company's 6% Cumulative Preference shares or in the shares of its subsidiaries.

In accordance with the Company's Articles of Association Messrs A M V Coombs, K R Smith and D Markou being eligible, offer themselves for re-election.

No director had any interest in any material contract during the year relating to the business of the Group.

Substantial shareholdings

At 29 March 2006, the company had been notified of the following interests of 3% or more in its issued ordinary share capital (excluding those of the directors disclosed above):-

Shareholder	No of shares	% of share capital
Wiseheights Limited	2,420,000	20.6%
C K Coombs	1,621,501	13.8%

AGM resolutions

Resolutions will be put before the Annual General Meeting proposing that authority be granted to the directors to allot up to 5% (nominal value up to £73,357) of the current ordinary share capital of the company, details of the resolution are set out in the notice of the meeting on page 49. The directors would propose to exercise this authority only in circumstances where such an allotment represented an appropriate method of raising capital and improving the liquidity of the shares. Resolutions will also be put before the Annual General Meeting to authorise the company to purchase its own preference share capital. The directors would propose to exercise this authority only in circumstances where such a purchase would increase the earnings per share of the company.

Employees

The Group's policy is to give full and fair consideration to applications for employment by disabled persons, having regard to the nature of the employment. Suitable opportunities and training are offered to disabled persons in order to provide their career development.

The Group also recognises the need to communicate with employees. Newsletters are sent out to each employee at least twice per year to keep employees informed of the progress of the business as well as regular memos to the branches in respect of new initiatives.

Political and charitable contributions

During the year the company and the Group made contributions to a number of local charities of £2,780 (2005 - £8,560). No political contributions were made.

Directors' Report *(continued)*

Creditor payment policy

The Group and the company do not follow any published code of practice but agrees terms and conditions with its suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier.

Trade creditor days for the Group for the year ended 31 January 2006 were 52 days (2005 - 52 days), and trade creditor days for the company were 50 days (2005 - 52 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group and the company by their suppliers in the year and the amount due, at the year end, to trade creditors within one year.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

C Redford
Secretary
7 April 2006

Report of the Board to the Shareholders on Remuneration Policy

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the "auditable part" of the directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee are Mr M Hepplewhite, Mr D Markou, and Mr K Smith, who are all independent non-executive directors. The committee is chaired by Mr K Smith.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorship or day-to-day involvement in running the business. The Committee makes recommendations to the board. No director plays a part in any discussions about their own remuneration.

Remuneration policy

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee and is assessed annually for the following financial period. The remuneration of the non-executive directors is determined by the board within limits set out in the Articles of Association.

There are four main elements of the remuneration package for executive directors and senior management:

- Basic annual salary (including directors fees);
- Taxable benefits in kind in the main include company car plus related expenses and medical insurance;
- Performance related bonus payments; and
- Pension arrangements.

The company does not operate a share option or similar long term incentive schemes.

Basic salary

An executive director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and comparable positions in the financial sector. Executive director's contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee considers the Group's pre tax profit performance for the year and the appropriate % of basic salary to be awarded for each executive. The Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principle measure of those interests is in total shareholder return. The strategic objectives,

Report of the Board to the Shareholders on Remuneration Policy *(continued)*

control system and indicators are also aligned to total shareholder return. The executive directors were not awarded bonuses in 2005 with the exception of a £5,000 bonus paid to Mr C H Redford who joined the board during that year. There will also be no bonus paid in respect of the year ended January 2006 with the exception of £2,500 to Mr C H Redford and £5,000 to Mr J G Thompson who joined the board during the year.

Pension arrangements

The company makes contributions to a defined contribution pension scheme in respect of A M V Coombs, G D C Coombs, J G Thompson and C H Redford. None of the directors has accrued benefit under the defined benefit scheme.

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE Speciality and Other Financial Services Index also measured by total shareholder return. The performance has also been benchmarked against Provident Financial a leading competitor. These comparators have been selected since they illustrate S&U's relative performance within their sector.

Directors' contracts

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Mr A M V Coombs, Mr K R Smith and Mr D Markou are proposed for re-election at the next annual general meeting.

A M V Coombs and G D C Coombs have rolling 12 month contracts. In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

It is company policy that non-executive directors are not granted service contracts.

Non-executive directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year was £16,000 to £17,000. Non executives are not eligible to join the company's pension scheme.

AUDITED INFORMATION

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2006	2005
	£000	£000
Emoluments	937	780
Money purchase pension contributions	68	49
	1,005	829

Directors' emoluments

	Fees	Salaries	Bonus	Benefits in kind	Pension	Total 2006	Total 2005
	£000	£000	£000	£000	£000	£000	£000
Executive directors							
D M Coombs	17	209	-	35	-	261	261
A M V Coombs	17	170	-	26	25	238	233
G D C Coombs	17	145	-	14	25	201	190
C H Redford	17	63	2	15	10	107	87
J G Thompson *	-	105	5	13	8	131	-
Non-executive directors							
M F Hepplewhite	17	-	-	-	-	17	15
D Markou	16	-	-	-	-	16	14
K R Smith	17	-	-	-	-	17	14
F Coombs	17	-	-	-	-	17	15
	135	692	7	103	68	1,005	829

* J G Thompson was appointed from 23 March 2005

Directors' pension entitlements

4 directors are members of money purchase schemes (2005 - 3). Contributions paid by the company in respect of such directors are shown above.

Approval

This report was approved by the board of directors on 29 March 2006 and signed on its behalf by:

Keith Smith
Chairman of the Remuneration Committee

Corporate Governance

In July 2003 the FRC Combined Code was issued by the London Stock Exchange. The Code sets out Provisions for Good Corporate Governance along with a series of supporting principles. Section 1 of the Code is applicable to listed companies.

A narrative statement on how the company has applied the Provisions and a statement explaining the extent to which the provisions of the Code have been complied with appear below.

Narrative statement

The Code establishes 14 Code Provisions, which are split into three areas in this report, "Directors", "Relations with Shareholders" and "Accountability and Audit". The current position of the company in each area is described below.

Directors

During the period under review, the company was controlled through the Board of Directors which comprised five executive and four non-executive directors. The Chairman is mainly responsible for the running of the board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chairman was formerly the Managing Director and the board consider this appropriate given the size and nature of the company and its operations. The Managing Director is the Chief Executive of the Group. His responsibilities focus on co-ordinating the company's business and implementing Group strategy. The Chairman and Managing Director are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The board has a formal schedule of matters reserved to it and meets at least three times a year with monthly circulation of papers. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years. The board considers the performance of the directors and committees on an ongoing basis, and the commitments of individuals to their roles.

The board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. Trading companies are managed by separate boards of directors. The minutes of their meetings and of the standing committees will be circulated to and reviewed by the Board of Directors. Terms of reference for the committees are available from S&U plc head office.

The board has designated Mr K R Smith as senior independent director. The Nominations Committee is composed of the Chairman (also Chairman of the Committee), the Managing Director and Mr K R Smith. Three out of the four non-executive directors are considered to be independent. The board has considered the balance between the independent and non-independent directors and considers it to be satisfactory. The board has and will consider the composition of committees on an ongoing basis. Two non-executive directors Mr K R Smith and Mr D Markou are proposed for re-election at the next Annual General Meeting and the Chairman has determined their performance to be both effective and committed. The Audit Committee is composed of the three independent non-executive directors who are Mr M F Hepplewhite, Mr D Markou and Mr K R Smith. The Remuneration Committee is composed of the same three independent non-executive directors. Chairmen of these committees are appointed from among the members. The Chairman of the Audit Committee is Mr M F Hepplewhite and the Chairman of the Remuneration Committee is Mr K R Smith.

Meeting attendance	Board	Nominations	Remuneration	Audit
Number of meetings	4	1	2	3
D M Coombs	4	1		
A M V Coombs	4	1		
G D C Coombs	4			
M F Hepplewhite	3		2	3
K R Smith	4	1	2	3
D Markou	4		2	3
F Coombs	4			
J G Thompson (appointed 23 March 2005)	3			
C H Redford	4			

Relations with Shareholders

The company continues to communicate with both institutional and private investors and responds quickly to all queries received verbally or in writing. All shareholders have at least twenty working days notice of the Annual General Meeting at which all directors are introduced and are available for questions.

The board is aware of the importance of maintaining close relations with investors and analysts for the Group's market rating. Positive steps are being taken to enhance these relationships and the members of the board obtain regular feedback from major shareholders and discuss this at board meetings.

Accountability and Audit

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Managing Director's Report. The board uses this, together with the Chairman's Statement and the Directors' Report within pages 2 to 10, to present a balanced and understandable assessment of the company's position and prospects. The directors' responsibilities in respect of the financial statements are described on page 16 and those of the auditors on page 17.

Internal Control

The board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The review of the Group's internal control system is ongoing. Whilst the board acknowledges its overall responsibility for internal control it believes strongly that senior management within the Group's operating businesses should also contribute in a substantial way and this has been built into the process. The board does not consider there is a need for a formal independent internal audit function due to the size of the Group.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the company. The process has been in place for the year under review and up to the date of approval of the report and accounts. The process is regularly reviewed by the board and accords with the guidance in the combined code.

The board intends to keep its risk control procedures under constant review particularly as regards the need to embed internal control and risk management procedures further into the operations of business and to deal with areas of improvement which come to management's and the board's attention.

As might be expected in a Group of this size, a key control procedure is the day to day supervision of the business by the executive directors, supported by the managers with responsibility for operating units and the central support functions of finance, information systems and human resources.

The executive directors are involved in the budget setting process, constantly monitor key statistics and review management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the board as a whole.

The executive directors receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms, which are embedded within the operational units and reinforced by risk awareness training. The executive directors also receive regular reports from the credit control and health and safety functions, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high level review of the arrangements.

Relationship with Auditors

The Audit Committee has specific terms of reference which deal with its authority and duties. It meets at least three times a year with the external auditors attending by invitation in order that the Committee can review the external audit process and results. The Committee oversees the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the non-executive directors. The Committee assists the board in discharging its duties to ensure the financial statements meet legal requirements, and also reviews the independence of the external auditors. Independence of the external auditors has been assessed through examination of the nature and value of non-audit services performed during the year.

Going Concern basis

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Compliance statement

Throughout the year ended 31 January 2006 the company has been in compliance with the Code provisions set out in Section 1 of the July 2003 FRC Combined Code on Corporate Governance except for the following matters:

Section B.1 of the code, which prescribes that a significant proportion of the executive directors' remuneration should be structured so as to link rewards to corporate and individual performance. This is not considered necessary due to the shareholdings of the majority of the executive directors. The structure of directors' remuneration will be reviewed going forward.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

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 may differ from legislation in other jurisdictions.

By order of the Board

C Redford
Secretary
7 April 2006

Independent Auditors' Report

To the members of S&U Plc

We have audited the Group and individual company financial statements (the "financial statements") of S&U Plc for the year ended 31 January 2006 which comprise the consolidated income statement, the Group and individual company balance sheets, the Group and individual company cash flow statements, the Group and individual company statements of recognised income and expenses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you if, in our opinion, the directors' report is not consistent with the financial statements. We also report to you if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We also report to you if, in our opinion, the company has not complied with any of the four directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit schemes. We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report including the unaudited part of the directors' remuneration report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements

Independent Auditors' Report *(continued)*

and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31 January 2006 and of its profit for the year then ended;
- the individual company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual company's affairs as at 31 January 2006; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS

As explained in Note 1 to the financial statements, the Group, in addition to complying with its legal obligation to comply with IFRSs as adopted for use in the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 January 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

7 April 2006

Consolidated Income Statement

Year ended 31 January 2006

	Note	2006 £000	2005 £000
Revenue	2	53,427	50,712
Cost of sales	3	(25,295)	(22,965)
Gross profit		28,132	27,747
Administrative expenses		(17,314)	(16,679)
Operating profit		10,818	11,068
Finance costs	6	(1,694)	(1,518)
Profit before taxation	2	9,124	9,550
Taxation	7	(2,787)	(2,919)
Profit for the year		6,337	6,631
Earnings per share basic and diluted	10	54.0p	56.5p

All activities derive from continuing operations.

Statement of Recognised Income and Expense

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Profit for the Year	6,337	6,631	3,554	3,691
Actuarial gain on defined benefit pension scheme	14	–	14	–
Total recognised income for the year attributable to equity holders of the parent	6,351	6,631	3,568	3,691

Consolidated and Company Balance Sheet

31 January 2006

	Note	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
ASSETS					
Non Current Assets					
Property, plant and equipment	11	2,283	2,357	677	649
Investments	12	-	-	2,893	2,893
Amounts receivable from customers	13	19,807	15,994	180	185
Deferred tax assets	18	27	2,169	99	1,184
		22,117	20,520	3,849	4,911
Current Assets					
Inventories	14	81	91	30	56
Amounts receivable from customers	13	44,375	42,456	12,339	11,942
Trade and other receivables	15	619	717	20,981	22,368
Current income tax assets		1,427	65	1,059	60
Cash		11	14	11	13
		46,513	43,343	34,420	34,439
Total Assets		68,630	63,863	38,269	39,350
LIABILITIES					
Current liabilities					
Bank overdrafts	16	(8,214)	(5,791)	(1,007)	(709)
Trade and other payables	17	(953)	(1,294)	(877)	(2,224)
Tax Liabilities		(198)	(210)	(103)	(101)
Accruals and deferred income		(1,303)	(1,233)	(193)	(152)
		(10,668)	(8,528)	(2,180)	(3,186)
Non current liabilities					
Bank loans	16	(20,000)	(20,000)	(20,000)	(20,000)
Retirement benefit obligation	25	-	(23)	-	(23)
Deferred tax liabilities	18	-	(81)	-	-
Financial liabilities	19	(2,089)	(2,089)	(2,089)	(2,089)
Derivative financial instruments	21	(19)	-	(19)	-
		(22,108)	(22,193)	(22,108)	(22,112)
Total liabilities		(32,776)	(30,721)	(24,288)	(25,298)
NET ASSETS		35,854	33,142	13,981	14,052
Equity					
Called up share capital	19	1,467	1,467	1,467	1,467
Share premium account		2,136	2,136	2,136	2,136
Profit and loss account		32,251	29,539	10,378	10,449
Total equity	20	35,854	33,142	13,981	14,052

These financial statements were approved by the Board of Directors on 7 April 2006

D M Coombs
A M V Coombs } *Directors*

Consolidated and Company Cash Flow Statement

Year ended 31 January 2006

	Note	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Net cash from operating activities	22	1,657	1,779	3,576	(774)
Cash flows from investing activities					
Proceeds on disposal of property plant and equipment		125	133	25	44
Purchases of property, plant and equipment		(569)	(567)	(262)	(275)
Net cash used in investing activities		(444)	(434)	(237)	(231)
Cash flows from financing activities					
Dividends paid		(3,639)	(3,521)	(3,639)	(3,521)
Repayment of borrowings		-	(15,000)	-	(15,000)
Issue of new borrowings		-	20,000	-	20,000
Net increase/(decrease) in overdraft		2,423	(2,820)	298	(468)
Net cash (used in)/generated by financing activities		(1,216)	(1,341)	(3,341)	1,011
Net (decrease)/increase in cash and cash equivalents		(3)	4	(2)	6
Cash and cash equivalents at the beginning of period		14	10	13	7
Cash and cash equivalents at the end of period		11	14	11	13
Cash and cash equivalents comprise					
Cash		11	14	11	13

There are no cash and cash equivalent balances which are not available for use by either the Group or the company (2005 - £nil).

Notes to the Accounts

Year ended 31 January 2006

1. **Accounting policies**

1.1 General Information

S&U Plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 6 which is also the Group's principal business address. All operations are situated in the United Kingdom.

1.2 Basis of preparation

Prior to 2005 S&U Plc has prepared its financial statements under UK generally accepted accounting principles ("UK GAAP") but as a listed company we are now required to prepare our consolidated financial statements in accordance with international financial reporting standards (IFRS) as endorsed by the European Union. We have also prepared our S&U Plc company financial statements in accordance with IFRS. The date of transition to IFRS for S&U Plc was 1st February 2004 and the Group has prepared its opening balance sheet at that date. Reconciliations between previously reported UK GAAP results and IFRS as adopted are presented in note 26.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value. The Group has elected to retain the UK GAAP carrying values of certain freehold properties (including any historic revaluations) as deemed cost on the date of transition to IFRS. The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the year ended 31 January 2006.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures

IFRIC 4 Determining whether an Arrangement contains a Lease

Amendment to IAS39 The Fair Value Option

Amendment to IAS39 Cash Flow Accounting of Forecast Intragroup Transactions

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

IFRS1 Exemptions

IFRS 1 sets out procedures which the Group must follow when it adopts IFRS for the first time as the basis of preparation of its consolidated financial statements. The Group is required to determine appropriate accounting policies in compliance with IFRS and, in general, to apply them retrospectively in determining the opening IFRS balance sheet at its date of transition 1 February 2004.

IFRS1 provides a number of optional exemptions to this general principle. Those being adopted by the Group are described below.

Business Combinations

The Group has elected not to apply IFRS3 retrospectively to business combinations that took place before the date of transition. Therefore no recalculation of the goodwill arising on any of the Group's acquisitions, all of which occurred before 1 February 2004, has taken place.

1.3 Revenue recognition

Credit charges are recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows through the contractual term or expected life of the loan if shorter, back to the present value (the advance). Acceptance fees charged to customers are included as credit charges in the calculation and any direct transaction costs are added to the advance. Under IAS 39 credit charges on loan products continue to accrue at the EIR on all outstanding capital balances including arrears throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross up adjustment to revenue and is offset by a corresponding gross up adjustment to the loan loss provisioning charge to reflect the fact that this additional revenue is not collectable.

1. **Accounting policies (continued)**

Commission received from third party insurers for brokering the sale of insurance products, for which the Group does not bear any underlying insurance risk is recognised and credited to the income statement when the brokerage service has been provided.

Sales of goods are recognised in the income statement when the product has been supplied.

1.4 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. Amortised cost is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned less any deduction for impairment.

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 impairment as a result of one or more events that occurred after the initial recognition of the loan. 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.

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Certain freehold property is held at previous revalued amounts less accumulated depreciation as the Group has elected to use these amounts as the deemed cost as at the date of transition to IFRS under the transitional arrangements of IFRS1.

Depreciation is provided on the cost or valuation of property, plant and equipment in order to write such cost or valuation over the expected useful lives as follows;

Freehold Buildings	2% per annum straight line
Computers	20% per annum straight line
Fixtures and Fittings	10% per annum straight line or 20% per annum reducing balance
Motor Vehicles	25% per annum reducing balance

1.6 Inventories

Inventories are stated at the lower of cost or net realisable value.

1.7 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.8 Preference shares

The issued preference share capital detailed in note 19 is carried in the balance sheet at its fair value at date of transition to IFRS.

1. Accounting policies (continued)

1.9 Pensions

The Group contributes to a defined benefit pension scheme and the defined benefit pension liability at the balance sheet date is calculated as the present value of the defined benefit obligation less the fair value of the plan assets.

The Group also operates several defined contribution pension schemes and the pension charge represents the amount payable by the company for the financial year.

1.10 Leases

Rental costs under operating leases are charged to the profit and loss account when incurred.

1.11 Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

1.12 Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the board of directors which provides written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated effective as hedges of future cash flows are directly recognised in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of and asset or liability then at the time the asset or liability is recognised the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur the net cumulative gain or loss is recognised in equity is transferred to net profit or loss for the period.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with gains or losses reported in the income statement.

1.13 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The critical accounting judgements which the directors have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements are the judgements relating to effective interest rate applied as in 1.3 above and the judgements relating to impairment applied as in 1.4 above. The directors consider that there are no key sources of estimation uncertainty other than those inherent in the consumer credit market in which we operate.

2. Segmental analysis

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

	Revenue		Profit before taxation	
	Year ended 31 January 2006	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2005
Class of business	**£000**	£000	**£000**	£000
Consumer credit, rentals and other retail trading	**43,633**	41,746	**6,887**	7,485
Car finance	**9,794**	8,966	**2,237**	2,065
	53,427	50,712	**9,124**	9,550

In accordance with IAS39 "Financial instruments recognition and measurement", additional interest is required to be accrued which will not be recovered from the customer due to the fixed charge nature of the loan agreement. The amount of this additional interest included in revenue is referred to as the gross up charge and a full provision is made against it in cost of sales. For the year ended January 2006 the amount of the gross up charge and corresponding full provision was £15,046,000 (2005 - £14,270,000).

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

	Assets		Liabilities	
	Year ended 31 January 2006	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2005
Class of business	**£000**	£000	**£000**	£000
Consumer credit, rentals and other retail trading	**38,215**	38,168	**(5,425)**	(7,248)
Car finance	**30,415**	25,695	**(27,351)**	(23,473)
	68,630	63,863	**(32,776)**	(30,721)

Depreciation of assets for consumer credit was £387,000 (2005 - £405,000) and for car finance was £90,000 (2005 - £88,000).

Asset additions for consumer credit were £447,000 (2005 - £458,000) and for car finance were £122,000 (2005 - £109,000).

The assets and liabilities of the parent company are classified as consumer credit, rentals and other retail trading.

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

The company also received dividends from its subsidiaries of £2,969,000 (2005 - £2,828,000). Other than these dividends and the revenue disclosed in the segmental analysis above, the Group and the company have no significant other sources of revenue under IAS18.

3. Cost of sales

	2006 £000	2005 £000
Loan loss provisioning charge	21,836	19,880
Other cost of sales	3,459	3,085
	25,295	22,965

The loan loss provisioning charge includes the gross up adjustment of £15,046,000 (2005 - £14,270,000).

4. Information regarding employees

	The Group		The Company	
	2006 No.	2005 No.	2006 No.	2005 No.
The average number of persons employed by the Group in the year was:				
Consumer credit, rentals and other retail trading	274	277	105	100
Car finance	75	69	-	-
	349	346	105	100

	The Group		The Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Staff costs during the year (including directors):				
Wages and salaries	7,413	7,438	2,815	2,793
Social security costs	766	725	292	287
Pension costs for money purchase scheme	160	141	65	55
	8,339	8,304	3,172	3,135

5. Operating profit

	2006	2005
	£000	£000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	477	493
Rentals under operating leases:		
Hire of plant and machinery	5	5
Other operating leases	315	303
Auditors' remuneration:		
Statutory audit	85	60
Tax compliance work	3	14
Other services		
- Taxation advice	12	12
- Other advisory work	35	8
Loss on sale of fixed assets	41	58
Rentals received/receivable under operating leases	(195)	(204)

Average staff numbers for the Group were 349 (2005 - 346) and for the company 105 (2005 - 100). The audit fee for the company was £30,000 (2005 - £27,000). Fees for other advisory work principally comprise work in respect of the IFRS restatement. In addition to amounts shown above, the auditors received fees of £2,500 (2005 - £2,500) for the audit of the Group pension scheme. A description of the work of the audit committee is set out in the audit committee report on page 15 and includes an explanation of how auditor objectivity and independence is safeguarded where non audit services are provided by the auditors.

6. Finance costs

	2006	2005
	£000	£000
31.5% cumulative preference dividend	142	142
6% cumulative preference dividend	12	12
Bank loan and overdraft	1,515	1,353
Loss on financial derivative instrument	19	-
Other interest payable	6	11
	1,694	1,518

Notes to the Accounts *(continued)*

Year ended 31 January 2006

7. Tax on profit before taxation

	2006 £000	2005 £000
Corporation tax at 30% (2005 - 30%) based on the profit for the year	2,893	2,922
Adjustment in respect of prior years	1,955	75
	4,842	2,997
Deferred tax (timing differences - origination and reversal)	(2,061)	(78)
	2,787	2,919

The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	2006 £000	2005 £000
Profit on ordinary activities before tax	9,124	9,550
Tax on profit on ordinary activities at standard rate of 30% (2005 - 30%)	2,737	2,865
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	51	54
Capital allowances in excess of depreciation	(6)	3
Tax losses	111	-
Prior period adjustments	1,955	75
Deferred tax timing differences	(2,061)	(78)
Total actual amount of tax	2,787	2,919

8. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year after taxation amounted to £3,554,000 (2005 - £3,691,000).

9. Dividends

	2006 £000	2005 £000
Final paid for the year ended 31/1/2005 - 22.0p per Ordinary share (21.0p)	2,583	2,465
Interim paid for the year ended 31/1/2006 - 9.0p per Ordinary share (9.0p)	1,056	1,056
Total ordinary dividends paid	3,639	3,521

The directors are proposing a final dividend for the year ended 31 January 2006 of 22.0p per ordinary share. The dividend will be paid on 2 June 2006 to shareholders on the register at close of business on 5 May 2006 subject to approval by shareholders at the Annual General Meeting on Friday 19 May 2006.

10. Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit after tax of £6,337,000 (2005 - £6,631,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2005 - 11,737,228). There are no dilutive shares.

11. Property, plant and equipment

The Group	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
Cost or valuation				
At 1 February 2004	1,141	3,266	1,299	5,706
Additions	7	443	117	567
Disposals	-	(825)	(4)	(829)
At 1 February 2005	1,148	2,884	1,412	5,444
Additions	5	417	147	569
Disposals	-	(617)	(5)	(622)
At 31 January 2006	1,153	2,684	1,554	5,391
Accumulated depreciation				
At 1 February 2004	214	1,964	1,054	3,232
Charge for the year	22	386	85	493
Eliminated on disposals	-	(634)	(4)	(638)
At 1 February 2005	236	1,716	1,135	3,087
Charge for the year	21	356	100	477
Eliminated on disposals	-	(452)	(4)	(456)
At 31 January 2006	257	1,620	1,231	3,108
Net book value				
At 31 January 2006	896	1,064	323	2,283
At 31 January 2005	912	1,168	277	2,357

Included in the above is land at a cost or valuation of £60,000 (2005 - £60,000) which is not depreciated.

Certain freehold land and buildings were revalued in 1973 by independent valuers not connected with the Group on the basis of market value. At 31 January 2006, had the land and buildings been carried at cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately £400,000 (2005 – £400,000).

11. Property, plant and equipment (continued)

The Company	Freehold land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 February 2004	80	1,156	599	1,835
Additions	–	227	48	275
Disposals	–	(324)	–	(324)
At 1 February 2005	80	1,059	647	1,786
Additions	–	166	96	262
Disposals	–	(145)	–	(145)
At 31 January 2006	80	1,080	743	1,903
Accumulated depreciation				
At 1 February 2004	16	692	493	1,201
Charge for the year	1	152	30	183
Eliminated on disposals	–	(247)	–	(247)
At 1 February 2005	17	597	523	1,137
Charge for the year	1	149	46	196
Eliminated on disposals	–	(107)	–	(107)
At 31 January 2006	18	639	569	1,226
Net book value				
At 31 January 2006	62	441	174	677
At 31 January 2005	63	462	124	649

Included in the above is land at cost of £22,000 (2005 – £22,000) which is not depreciated.

Certain freehold land and buildings were revalued in 1973 by independent valuers not connected with the Company on the basis of market value. At 31 January 2006, had the land and buildings been carried at cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately £20,000 (2005 – £20,000).

The net book value of tangible fixed assets leased out under operating leases was:

	The Group		The Company	
	2006 £000	2005 £000	2006 £000	2005 £000
	230	245	69	74

12. Investments and related party transactions

The Company	£000
Shares in subsidiary companies	
At 1 February 2004, 31 January 2005 and 31 January 2006	2,893

Interests in subsidiaries
The principal subsidiaries of the company, all of which are wholly owned directly by the company, operate in Great Britain and are incorporated in England and Wales.

Subsidiary	Principal activity
S D Taylor Limited	Consumer credit, rentals and other retail trading
Wilson Tupholme Limited	Consumer credit, rentals and other retail trading
Advantage Finance Limited	Car finance

Related party transactions
Group
Transactions between the company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. During the year the Group obtained supplies amounting to £12,346 (2005 – £9,687) from Grevayne Properties Limited a company which is a related party because Messrs G D C and A M V Coombs are directors and shareholders. The amount due to Grevayne Properties Limited at the year end was £nil (2005 – £nil).

Company
The company received dividends from other Group undertakings totalling £2,969,000 (2005 £2,828,000) During the current and preceding year the company recharged other Group undertakings for various administrative expenses incurred on their behalf. The company also received administrative cost recharges from other Group undertakings. At 31 January 2006 the company was owed £20,828,005 (2005 – £22,122,797) by other Group undertakings and owed £587,903 (2005 – £1,745,850).

Remuneration of Key Management Personnel
Details of the remuneration of the directors, who are the key management personnel of the Group, are contained in the audited part of the remuneration report on page 13 and form a part of these financial statements.

13. Amounts receivable from customers

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Consumer Credit	48,857	46,529	18,050	17,424
Car finance hire purchase	37,920	31,438	–	–
	86,777	77,967	18,050	17,424
Less: Loan loss provision consumer credit	(14,661)	(13,453)	(5,531)	(5,297)
Less: Loan loss provision car finance purchase	(7,934)	(6,064)	–	–
Amounts receivable from customers	64,182	58,450	12,519	12,127
Analysed as				
– due within one year	44,375	42,456	12,339	11,942
– due in more than one year	19,807	15,994	180	185
	64,182	58,450	12,519	12,127

14. Inventories

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Finished goods and goods for resale	81	91	30	56

15. Trade and other receivables

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Amounts owed by subsidiary undertakings	–	–	20,828	22,123
Other debtors	418	420	113	143
Prepayments and accrued income	201	297	40	102
	619	717	20,981	22,368

All the above amounts fall due within one year.

16. Bank overdrafts and loans

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Bank overdrafts – due within one year	8,214	5,791	1,007	709
Bank loan – due in more than one year	20,000	20,000	20,000	20,000
	28,214	25,791	21,007	20,709

S&U Plc had the following overdraft facilities available at 31 January 2006:

A facility for £10 million (2005 - £10m) was reviewed in October 2005 and is subject to annual review.

A facility for £2 million (2005 – £2m) was reviewed in October 2005 and is subject to annual review.

The bank overdraft and loans are secured over the assets of the Group under a multilateral guarantee.

A maturity analysis of the above borrowings is given in note 21.

17. Trade and other payables

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Trade creditors	381	571	94	121
Amounts owed to subsidiary undertakings	–	–	588	1,746
Other creditors	572	723	195	357
	953	1,294	877	2,224

18. Deferred tax

The Group	Accelerated tax depreciation £000	Revaluation of property £000	Retirement benefit obligations £000	Tax losses £000	Total (liability)/ asset £000
At 1 February 2004	53	(139)	-	2,252	2,166
(Debit)/credit to income	5	-	-	(83)	(78)
At 1 February 2005	58	(139)	-	2,169	2,088
(Debit)/credit to income	(6)	3	-	(2,058)	(2,061)
At 31 January 2006	52	(136)	-	111	27
The Company	£000	£000	£000	£000	£000
At 1 February 2004	26	-	-	1,378	1,404
(Debit)/credit to income	-	-	-	(220)	(220)
At 1 February 2005	26	-	-	1,158	1,184
(Debit)/credit to income	(4)	-	-	(1,081)	(1,085)
At 31 January 2006	22	-	-	77	99

The Group and the company have assessed that deferred tax assets and liabilities shown above should be offset for financial reporting purposes with the exception of the tax loss asset in 2005. A deferred tax asset has been recognised on the basis that the Group has been historically profitable and the asset can be utilised in the future.

19. Called up share capital and preference shares

	2006 £000	2005 £000
Authorised		
14,400,000 Ordinary shares of 12.5p each	1,800	1,800
200,000 6.0% Cumulative Preference shares of £1 each	200	200
3,600,756 31.5% Cumulative Preference shares of 12.5p each	450	450
	650	650
Called up, allotted and fully paid		
11,737,228 Ordinary shares of 12.5p each	1,467	1,467
200,000 6% Cumulative Preference shares of £1 each	200	200
3,600,756 31.5% Cumulative Preference shares of 12.5p each	450	450
Preference share capital – at nominal value	650	650
Preference share capital – at fair value at date of transition to IFRS	2,089	2,089

The 6.0% Cumulative Preference shares enable the holder to receive a cumulative preferential dividend at the rate of 6.0% on paid up capital and the right to a return of capital plus a premium of 10p per share at either a winding up or a repayment of capital.

The 31.5% Cumulative Preference shares entitle the holder to receive a cumulative preference dividend of 31.5% plus associated tax credit and the right to a return of capital plus a premium of 22.5p per share on either a winding up or a repayment of capital. The rights of the holders of these shares to dividends and returns of capital are subordinated to those of the holders of the 6.0% Cumulative Preference shares.

Neither class of Cumulative Preference share carries voting rights so long as the dividends are not in arrears.

Notes to the Accounts *(continued)*

Year ended 31 January 2006

20. Reconciliation of changes in equity

The Group	Called up Share Capital £000	Share Premium Account £000	Profit and Loss Account £000	Total Equity £000
At 1 February 2004	1,467	2,136	26,429	30,032
Total recognised income for year	–	–	6,631	6,631
Dividends	–	–	(3,521)	(3,521)
At 1 February 2005	1,467	2,136	29,539	33,142
Total recognised income for year	–	–	6,351	6,351
Dividends	–	–	(3,639)	(3,639)
At 31 January 2006	**1,467**	**2,136**	**32,251**	**35,854**

The Company	£000	£000	£000	£000
At 1 February 2004	1,467	2,136	10,279	13,882
Total recognised income for year	–	–	3,691	3,691
Dividends	–	–	(3,521)	(3,521)
At 1 February 2005	1,467	2,136	10,449	14,052
Total recognised income for year	–	–	3,568	3,568
Dividends	–	–	(3,639)	(3,639)
At 31 January 2006	**1,467**	**2,136**	**10,378**	**13,981**

21. Financial instruments

The Group and the company's principal financial instruments are amounts receivable from customers, cash, preference share capital, bank overdrafts and bank loans.

The Group and the company's business objectives rely on maintaining a well spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process. The home collected credit hire purchase debts are secured by the goods. The car finance hire purchase debts are secured by the financed vehicle.

As at 31 January 2006 the Group's indebtedness amounted to £28,864,000 (2005 - £26,441,000) and the company's indebtedness amounted to £21,657,000 (2005 - £21,359,000). The Group gearing was 78.7% (2005 - 77.8%) , being calculated as net borrowings as a percentage of total equity. The board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

Financial assets	Group 2006 £000	Company 2006 £000
Non interest bearing assets	3,021	4,691
Within one year	45,802	33,398
One year to two years	9,633	180
Two years to three years	7,852	-
Three years to four years	2,322	-
Four years to five years	-	-
More than five years	-	-
	68,630	38,269

Financial liabilities	Group 2006 £000	Company 2006 £000
Non interest bearing liabilities	(2,454)	(2,737)
Within one year	(8,214)	(5,791)
One year to two years	-	-
Two years to three years	-	-
Three years to four years	(20,019)	(20,000)
Four years to five years	-	-
More than five years (preference share capital no maturity date)	(2,089)	(2,089)
	(32,776)	(30,617)

S&U Plc has unused committed borrowing facilities at 31 January 2006 of £3.1 million (2005 - £6.2m).

The average effective interest rate of financial assets of the Group at 31 January 2006 was estimated to be 71% (2005 - 73%). The average effective interest rate of financial assets of the company at 31 January 2006 was estimated to be 50% (2005 - 48%). The average effective interest rate of financial liabilities of the Group at 31 January 2006 was estimated to be 6% (2005 - 6%). The average effective interest rate of financial liabilities of the company at 31 January 2006 was estimated to be 6% (2005 - 6%).

21. Financial instruments (continued)

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts to hedge these exposures in accordance with the accounting policy noted in 1.12 above. A 5 year hedge contract on £20m of the Group's borrowings was entered into on 20 September 2005. The fair value of this contract at 31 January 2006 was estimated to be a derivative liability of £19,000. The contract is designated and effective as a hedge. The charge of £19,000 has been included within finance costs for the year (note 6).

Currency and credit risk

The Group has no material exposure to foreign currency risk. Group trade and other receivables and cash are considered to have no material credit risk. The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4.

Interest rate risk

The Group's activities expose it to the financial risks of changes in interest rates and the Group uses interest rate derivative contracts to hedge these exposures in bank borrowings in accordance with the accounting policy noted in 1.12 above.
There is considered to be no material interest rate risk in cash, trade and other receivables, preference shares and trade and other payables.

Fair values of financial assets and financial liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities are considered to be not materially different from their book values. The preference share capital is included in the balance sheet at fair value at date of transition to IFRS and at 31 January 2005 and 31 January 2006 this has not materially changed.

22. Reconciliation of profit before taxation to net cash from operating activities

	Group 2006 £000	Group 2005 £000	Company 2006 £000	Company 2005 £000
Profit before taxation	9,124	9,550	3,892	4,126
Tax paid	(2,074)	(2,854)	(234)	(502)
Depreciation on plant, property and equipment	477	493	196	183
Loss on disposal of plant, property and equipment	41	58	13	33
(Increase) in amounts receivable from customers	(5,732)	(5,975)	(392)	(841)
Decrease in inventories	10	14	26	4
Decrease/(increase) in trade and other receivables	98	87	1,387	(3,767)
(Decrease)/increase in trade and other payables	(353)	32	(1,349)	(36)
Increase in accruals and deferred income	70	439	41	91
Fair value movements on derivatives	19	-	19	-
Decrease in retirement benefit obligations	(23)	(65)	(23)	(65)
Net cash from operating activities	1,657	1,779	3,576	(774)

23. Financial commitments

Capital commitments

At 31 January 2006 and 31 January 2005, the Group and company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2006 and 31 January 2005, the Group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2006	2005	2006	2005
	£000	£000	£000	£000
Land and buildings				
Leases which expire:				
Within one year	48	35	36	30
Within two to five years	197	199	140	139
After five years	7	–	–	–
	252	234	176	169
Other				
Leases which expire:				
Within one year	2	–	–	–
Within two to five years	3	5	–	–
After five years	–	–	–	–
	5	5	–	–

24. Contingent liabilities

In respect of the Group, the directors are not aware of any contingent liabilities. The company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 2006 was £7,207,000 (2005 - £4,746,000).

25. Retirement benefit obligations

Group and company

The company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2004. At that valuation it was assumed that future investment returns would be 7% per annum, salary increases would be 4.5% per annum and inflation would be 3% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS19 in order to assess the liabilities of the scheme as at 31 January 2006. The last actuarial valuation highlighted that the scheme was in surplus on an ongoing basis with the value of assets being sufficient to cover the actuarial value of accrued liabilities. No contributions are therefore being paid to the scheme at the present time and the estimated amount of contributions expected to be paid into the scheme during the current financial year is £nil.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2004 and updated to 31 January 2006 by a qualified independent actuary. The valuation method used was the attained age method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2006	At year end 31 January 2005	At year end 31 January 2004
Rate of increase in salaries	**4.5%**	4.4%	4.2%
Rate of increase in pensions in payment	**3.0%**	2.9%	2.7%
Discount rate	**4.6%**	5.2%	5.5%
Inflation assumption	**3.0%**	2.9%	2.7%

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected rate of return at 31 January 2006	**Fair value at 31 January 2006 £000**	Expected rate of return at 31 January 2005	Fair value at 31 January 2005 £000
Equities	**7.6%**	**860**	7.6%	820
Bonds	**4.6%**	**188**	5.2%	193
Other	**4.5%**	**12**	4.7%	14
Total market value of assets		**1,060**		1,027

25. Retirement benefit obligations (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2006 £000	2005 £000	2004 £000
Present value of defined benefit obligations	**1,056**	1,050	1,115
Fair value of plan assets	**(1,060)**	(1,027)	(1,027)
Pension (asset)/liability	**(4)**	23	88
Current service cost	**5**	5	10
Interest on obligation	**55**	61	57
Expected return on plan assets	**(73)**	(73)	(63)
Losses/(gains) on curtailments and settlements	**0**	0	0
Expense recognised in the income statement	**(13)**	(7)	41
Opening net liability	**23**	88	153
Expense	**(13)**	(7)	41
Contributions paid	**–**	–	0
Actuarial (gain)/loss	**(14)**	(58)	(106)
Closing net (asset)/liability	**(4)**	23	88
Experience adjustment on scheme liabilities			
Actuarial (gain)/loss as %age of scheme liabilities	1%	5%	10%
Expected return on plan assets	**73**	73	63
Actuarial gain/(loss) on plan assets	**40**	8	169
Actual return on plan assets	**113**	81	232
Experience adjustment on scheme assets			
Actuarial (gain)/loss as %age of scheme assets	4%	1%	16%
Movement in present value of obligation			
Present value of obligation at 1 February	**1,050**	1,115	1,030
Interest cost	**55**	61	57
Current service cost	**5**	5	10
Past service cost	**0**	0	37
Benefits paid	**(80)**	(81)	(82)
Actuarial (gain)/loss on obligation	**26**	(50)	63
Present value of obligation at 31 January	**1,056**	1,050	1,115
Movement in fair value of plan assets			
Fair value of plan assets at 1 February	1,027	1,027	877
Expected return on plan assets	**73**	73	63
Contributions	**0**	0	0
Benefits paid	**(80)**	(81)	(82)
Actuarial gain/(loss) on plan assets	**40**	8	169
Fair value of plan assets at 31 January	**1,060**	1,027	1,027

26. Reconciliations between IFRS and UK GAAP

a) Reclassifications

The following reclassifications have been made within the income statement and the balance sheet on transition from UK GAAP to IFRS;

- Under UK GAAP preference share capital was shown as part of the issued share capital but under IFRS is now shown as a non current liability (see note e).
- Under UK GAAP, excess depreciation on certain revalued properties was set off against a revaluation reserve. Under IFRS1 the Group has elected to use the revalued amounts as the deemed cost of these properties and the balance on the revaluation reserve is transferred to accumulated profit and loss.
- Under IFRS we have reanalysed deferred tax as a non current liability. Deferred tax at 30% has been provided on the net book value of those properties acquired as part of a business acquisition.

b) Revenue and impairment

Under UK GAAP credit charges were recognised on a received or receivable basis using the sum of the digits method and acceptance fees in our car finance business were recognised upfront. Under IFRS, credit charges and acceptance fees are recognised in the income statement for all loans and receivables measured at amortised cost using the effective interest rate method (EIR). The EIR is the rate that exactly discounts estimated future cash flows of the loan back to the present value (the advance). Under IAS 39 credit charges on loan products continue to accrue at the EIR on all outstanding capital balances including arrears throughout the life of the agreement irrespective of the terms of the loan and whether the customer is actually being charged arrears interest. This is referred to as the gross up adjustment to revenue and is offset by a corresponding gross up adjustment to the impairment charge to reflect the fact that this additional revenue is not collectable.

Under UK GAAP, a specific reserve being the difference between the carrying value of the debt and the expected actual cash flows was made on all debts which are considered doubtful. Under IFRS, debts are assessed for impairment and the impairment charge to the income statement 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.

c) Dividends

Under UK GAAP dividends declared after the date of the balance sheet were recorded in the balance sheet as at the balance sheet date. Under IFRS, dividends declared after the date of the balance sheet cannot be included as a liability at the balance sheet date.

d) Tax

The tax adjustment derived from the IFRS adjustments above has been reclassified as deferred tax, as opposed to current tax as disclosed in the interim announcement of 6 October 2005, on the basis that the deductions are not crystallised until the current year.

e) Preference share capital

Since the interim announcement of 6 October 2005, in addition to the reclassification in point a) above, the preference share capital has been included at transition at fair value. This has resulted in an increase in its value of £1.44m and an equivalent decrease in profit and loss reserve.

f) Restatement of consolidated cashflow statement on adoption of IFRS

The presentation of the cashflow statement as specified by IAS 7 differs from UK GAAP requirements. A number of items have been reclassified, but there is no impact on cashflows. There is no change to the level of cash and cash equivalents at either the start or end of the year.

26. Reconciliations between IFRS and UK GAAP (continued)

Income Statement – Group

31 January 2005 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Revenue	36,363		14,349		50,712
Cost of sales	(3,067)		(19,898)		(22,965)
Gross profit	33,296		(5,549)		27,747
Administrative expenses	(22,174)		5,495		(16,679)
Operating profit	11,122		(54)		11,068
Finance costs	(1,364)	(154)			(1,518)
Profit before taxation	9,758	(154)	(54)		9,550
Taxation	(2,936)		17		(2,919)
Profit for the year	6,822	(154)	(37)		6,631

Income Statement – Company

31 January 2005 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Profit for the year	3,886	(154)	(41)		3,691

26. Reconciliations between IFRS and UK GAAP (continued)

Group 1 February 2004 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Net assets					
Property plant and equipment	2,474				2,474
Amounts receivable from customers	14,520		(704)		13,816
Deferred tax asset			2,252		2,252
Non current assets	**16,994**		**1,548**		**18,542**
Inventories	105				105
Amounts receivable from customers	50,006		(11,347)		38,659
Trade and other receivables	804				804
Current income tax assets	144	(53)			91
Cash at bank and in hand	10				10
Current assets	**51,069**	**(53)**	**(11,347)**		**39,669**
Total assets	**68,063**	**(53)**	**(9,799)**		**58,211**
Bank overdrafts and loans	(23,611)				(23,611)
Trade and other payables	(3,815)	88		2,465	(1,262)
Tax liabilities	(1,612)		1,363		(249)
Accruals and deferred income	(794)				(794)
Current liabilities	**(29,832)**	**88**	**1,363**	**2,465**	**(25,916)**
Bank loans					
Retirement benefit obligation		(88)			(88)
Deferred tax liability		(86)			(86)
Financial liabilities		(2,089)			(650)
Non current liabilities		**(2,263)**			**(824)**
Total liabilities	**(29,832)**	**(2,175)**	**1,363**	**2,465**	**(28,179)**
Net assets	**38,231**	**(2,228)**	**(8,436)**	**2,465**	**30,032**
Called up share capital	2,117	(650)			1,467
Share premium account	2,136				2,136
Revaluation reserve	501	(501)			-
Profit and loss account	33,477	(1,077)	(8,436)	2,465	26,429
Shareholders' equity	**38,231**	**(2,228)**	**(8,436)**	**2,465**	**30,032**

26. Reconciliations between IFRS and UK GAAP (continued)

Group 31 January 2005 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Net assets					
Property plant and equipment	2,357				2,357
Amounts receivable from customers	16,758		(764)		15,994
Deferred tax asset			2,169		2,169
Non current assets	19,115		1,405		20,520
Inventories	91				91
Amounts receivable from customers	53,799		(11,343)		42,456
Trade and other receivables	717				717
Current income tax assets	123	(58)			65
Cash at bank and in hand	14				14
Current assets	**54,744**	**(58)**	**(11,343)**		**43,343**
Total assets	**73,859**	**(58)**	**(9,938)**		**63,863**
Bank overdrafts and loans	(5,791)				(5,791)
Trade and other payables	(3,900)	23		2,583	(1,294)
Tax liabilities	(1,674)		1,464		(210)
Accruals and deferred Income	(1,233)				(1,233)
Current liabilities	**(12,598)**	**23**	**1,464**	**2,583**	**(8,528)**
Bank loans	(20,000)				(20,000)
Retirement benefit obligation		(23)			(23)
Deferred tax liabilities		(81)			(81)
Financial liabilities		(2,089)			(2,089)
Non current liabilities	***(20,000)***	***(2,193)***			***(22,193)***
Total liabilities	**(32,598)**	**(2,170)**	**1,464**	**2,583**	**(30,721)**
Net assets	**41,261**	**(2,228)**	**(8,474)**	**2,583**	**33,142**
Called up share capital	2,117	(650)			1,467
Share premium account	*2,136*				*2,136*
Revaluation reserve	496	(496)			-
Profit and loss account	36,512	(1,082)	(8,474)	2,583	29,539
Shareholders' equity	**41,261**	**(2,228)**	**(8,474)**	**2,583**	**33,142**

Notes to the Accounts *(continued)*

Year ended 31 January 2006

26. Reconciliations between IFRS and UK GAAP (continued)

Company 1 February 2004 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Net assets					
Property plant and equipment	634				634
Investments	2,893				2,893
Amounts receivable from customers	210		(20)		190
Deferred tax asset	26		1,146		1,172
Non current assets	**3,763**		**1,126**		**4,889**
Inventories	60				60
Amounts receivable from customers	15,669		(4,573)		11,096
Trade and other receivables	18,601				18,601
Current income tax assets	91				91
Cash at bank and in hand	7				7
Current assets	**34,428**		**(4,573)**		**29,855**
Total assets	**38,191**		**(3,447)**		**34,744**
Bank overdrafts and loans	(16,177)				(16,177)
Trade and other payables	(4,808)	88		2,465	(2,255)
Tax liabilities	(424)		318		(106)
Accruals and deferred income	(61)				(61)
Current liabilities	**(21,470)**	**88**	**318**	**2,465**	**(18,599)**
Bank loans					
Retirement benefit obligation		(88)			(88)
Deferred tax liability		(86)			(86)
Financial liabilities		(2,089)			(2,089)
Non current liabilities		**(2,263)**			**(2,263)**
Total liabilities	**(21,470)**	**(2,175)**	**318**	**2,465**	**(20,862)**
Net assets	**16,721**	**(2,175)**	**(3,129)**	**2,465**	**13,882**
Called up share capital	2,117	(650)			1,467
Share premium account	2,136				2,136
Revaluation reserve	40	(40)			-
Profit and loss account	12,428	(1,485)	(3,129)	2,465	10,279
Shareholders' equity	**16,721**	**(2,175)**	**(3,129)**	**2,465**	**13,882**

26. Reconciliations between IFRS and UK GAAP (continued)

Company 31 January 2005 £'000	Audited UK GAAP	Reclassifications Note 26a	Revenue & Impairment Note 26b	Dividends Note 26c	Audited IFRS
Net assets					
Property plant and equipment	649				649
Investments	2,893				2,893
Amounts receivable from customers	205		(20)		185
Deferred tax asset	26		1,158		1,184
Non current assets	3,773		1,138		4,911
Inventories	56				56
Amounts receivable from customers	16,574		(4,632)		11,942
Trade and other receivables	22,368				22,368
Current income tax assets	60				60
Cash at bank and in hand	13				13
Current assets	39,071		(4,632)		34,439
Total assets	42,844		(3,494)		39,350
Bank overdrafts and loans	(709)				(709)
Trade and other payables	(4,830)	23		2,583	(2,224)
Tax liabilities	(338)		237		(101)
Accruals and deferred income	(152)				(152)
Current liabilities	(6,029)	23	237	2,583	(3,186)
Bank loans	(20,000)				(20,000)
Retirement benefit obligation		(23)			(23)
Financial liabilities		(2,089)			(2,089)
Non current liabilities	*(20,000)*	(2,112)			(22,112)
Total liabilities	(26,029)	(2,089)	237	2,583	(25,298)
Net assets	16,815	(2,089)	(3,257)	2,583	14,052
Called up share capital	2,117	(650)			1,467
Share premium account	2,136				2,136
Revaluation reserve	39	(39)			-
Profit and loss account	12,523	(1,400)	(3,257)	2,583	10,449
Shareholders' equity	16,815	(2,089)	(3,257)	2,583	14,052

Five Year Financial Record

	2002 UK GAAP £000	2003 UK GAAP £000	2004 UK GAAP £000	2005 IFRS £000	2006 IFRS £000
Operating profit	10,397	8,793	9,693	11,068	**10,818**
Profit before taxation	9,206	7,846	9,037	9,550	**9,124**
Taxation	(2,775)	(2,293)	(2,711)	(2,919)	**(2,787)**
Profit for the year	6,431	5,553	6,326	6,631	**6,337**
Assets employed					
Fixed assets	2,768	2,646	2,474	2,357	**2,283**
Amounts receivable and other assets	60,524	62,215	65,589	61,506	**66,347**
	63,292	64,861	68,063	63,863	**68,630**
Liabilities	(29,942)	(29,398)	(29,832)	(30,721)	**(32,776)**
Total equity	33,350	35,463	38,231	33,142	**35,854**
Earnings per ordinary share	53.5p	46.0p	52.6p	56.5p	**54.0p**
Dividends paid per ordinary share	27.0p	28.0p	29.0p	30.0p	**31.0p**
Key ratios					
Return on capital employed	18.4%	15.2%	16.2%	18.1%	**16.4%**
Group gearing	69.5%	68.3%	62.8%	77.8%	**78.7%**

The results for the years ended 31 January 2002, 2003 and 2004 have not been restated in accordance with IFRS. Hence those results are not directly comparable to 2005 and 2006.

Key ratios have been calculated as follows:

"Return on capital employed" is calculated as Operating Profit divided by the sum of Total Equity plus Bank Overdrafts plus Bank Loans and Financial Liabilities (both as disclosed within Non Current Liabilities).

"Group Gearing" is calculated as the sum of Bank Overdrafts plus Bank Loans (as disclosed within Non Current Liabilities) divided by Total Equity.

Notice of Meeting

Notice is hereby given that the sixty-eighth Annual General Meeting of S&U Plc will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Friday 19 May 2006 at 11.30a.m. for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolution 10 to 12 will be proposed as special resolutions.

Ordinary Resolutions

1. To receive the directors' report and the company's annual accounts for the year ended 31 January 2006, together with the auditor's report on those accounts and the auditable part of the directors' remuneration report.

2. To approve the directors' remuneration report for the year ended 31 January 2006.

3. To declare a final ordinary dividend for the year ended 31 January 2006 of 22.0 pence per ordinary share in the capital of the company, to be paid on 2 June 2006 to shareholders whose names appear on the register at close of business on 5 May 2006.

4. To re-elect as a director Mr A M V Coombs who retires by rotation.

5. To re-elect as a director Mr D Markou who retires by rotation.

6. To re-elect as a director Mr K R Smith who retires by rotation.

7. To re-appoint Deloitte & Touche LLP as auditors of the company.

8. To authorise the directors to fix the remuneration of the auditors.

9. THAT the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £73,357 provided that this authority is for a period expiring on the conclusion of the company's next AGM but the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.

Special Resolutions

10. THAT subject to the passing of the resolution above numbered 9, the directors be and they are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 (2) to section 94 (3A) of the Act) wholly for cash pursuant to the authority conferred by the resolution above numbered 9, as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    a. in connection with an offer of such securities by way of rights or other pre-emptive offers to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

    b. otherwise pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £73,357,

    and shall expire on the conclusion of the next AGM of the company after the passing of this resolution, save that the company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

    This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by the previous resolution" were omitted.

Notice of Meeting *(continued)*

11. That, pursuant to Article 7 of the company's Articles of Association; the company be generally and unconditionally authorised, in accordance with Section 166 of the Companies Act 1985 ("the Act"), to make market purchases (within the meaning of Section 163(3) of the Act) of Cumulative Preference Shares of £1 each in the capital of the company ("Cumulative Preference Shares") provided that:-

    a. the maximum number of Cumulative Preference Shares hereby authorised to be purchased is 200,000;

    b. this authority shall expire at the conclusion of the Annual General Meeting in 2007 unless such authority is renewed prior to that time (except in relation to the purchase of Cumulative Preference Shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time).

12. That, pursuant to Article 7 of the Company's Articles of Association; the company be generally and unconditionally authorised, in accordance with Section 166 of the Act, to make market purchases (within the meaning of Section 163(3) of the Act) of 31.5 per.cent Cumulative Preference Shares of 12.5 pence each in the capital of the company ("31.5 per.cent Cumulative Preference Shares") provided that:-

    a. the maximum number of 31.5 per.cent Cumulative Preference Shares hereby authorised to be purchased is 3,600,756;

    b. this authority shall expire at the conclusion of the Annual General Meeting in 2007 unless such authority is renewed prior to that time (except in relation to the purchase of 31.5 per.cent Cumulative Preference Shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time);

    c. this authority shall not be capable of exercise unless the company has purchased all of the Cumulative Preference Shares or the holders of the Cumulative Preference Shares have consented to the purchase of the 31.5 per.cent Cumulative Preference Shares by way of a variation to the Articles of Association of the company or otherwise.

By Order of the Board

C H Redford

Secretary

17 April 2006

Registered office: Royal House, Prince's Gate,
Homer Road, Solihull, West Midlands, B91 3QQ.

Notes:

1. Any member of the company entitled to attend and vote at this meeting may appoint a person or persons as a proxy to attend and, on a poll, to vote in his stead. A proxy need not be a member of the company. To be effective proxy forms must be lodged with the registrars not later than 48 hours before the time fixed for the meeting or any adjournment thereof, together with any power of attorney (or a notarially certified copy thereof) under which it is signed. Appointment of a proxy shall not preclude a shareholder from attending and voting in person.
2. In accordance with the company's articles of association, holders of the 6% and 31.5% Cumulative Preference Shares are not entitled to attend or vote in respect of these shares at this Annual General Meeting.
3. The following information is available for inspection during normal business hours at the registered office of the company (excluding weekends and public holidays). It will also be available for inspection at the place of the annual general meeting from 11a.m. on the day of the meeting until the conclusion of the meeting:

    (a) the register of interests of directors and their connected persons in the share capital of the company;

    (b) copies of the directors service contracts.
4. Biographical details of those directors who are offering themselves for election or re-election are set out on page 7 of the enclosed annual report and accounts.
5. The directors seek authority to allot a maximum of up to 5% of the company's issued ordinary share capital (586,856 ordinary shares of 12.5 pence representing £73,357 nominal value). No treasury shares are held by the company. The directors would propose to exercise this authority only in circumstances where such an allotment represented an appropriate method of raising capital and improving the liquidity of the shares. Unless renewed any authority approved will lapse at the next AGM. The maximum amount of shares to be disapplied in resolution 10 under section 95 of the Act is up to 5% of the company's issued ordinary share capital (586,856 ordinary shares of 12.5 pence representing £73,357 nominal value).
6. The directors seek authority to enable them to purchase the preference share capital of the company. The directors would propose to exercise this authority only in circumstances where such a purchase would increase the earnings per share of the company and in the event of any such purchase the preference shares would be cancelled. Unless renewed any authority approved will lapse at the next AGM.