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Annual Report and Accounts

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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.

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Financial Highlights

	2007 £000	2006 £000
REVENUE	42,795	41,275
OPERATING PROFIT	10,469	10,818
PROFIT BEFORE TAXATION	8,930	9,124
EARNINGS PER ORDINARY SHARE	53 2p	54 0p
DIVIDEND PER ORDINARY SHARE INTERIM PAID AND FINAL PROPOSED	32 0p	31 0p

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

Financial Calendar

Annual General Meeting		18 May 2007
Announcement of results	Half year ending 31 July 2007 Year ending 31 January 2008	September 2007 March 2008
Payment of dividends	6% Cumulative Preference shares	30 September 2007 & 31 March 2008
	31 5% Cumulative Preference shares	31 July 2007 & 31 January 2008
	Ordinary shares	<ul style="list-style-type: none"> - 2007 Final Record Date 1 June 2007 - 2007 Final Ex-dividend Date 4 May 2007 - 2008 Interim Ex-dividend Date 2 May 2007 - 2008 Interim November 2007

Chairman's Statement

Results

Following the reduction in profit in the first half year I am pleased to report that second half pre-tax profits of £4.1m were £0.3m up on 2006. This profit improvement was helped by controlled second half investment and significant growth in our home collected customer numbers and representative network. Group revenue for the year grew to £42.8m compared to £41.3m for 2006. Profit on ordinary activities before tax for the year was £8.9m compared to £9.1m for 2006. Earnings per share for 2007 was 53.2p (2006: 54.0p), maintaining good cover.

We are pleased to announce a 1p increase in the second half dividend making a combined proposed dividend of 32p for the year as a whole. The second half dividend for ordinary shares of 23p per share will be paid on the 1st June 2007 and the shares will be dealt ex dividend from the 2nd May 2007. Excellent dividend payment every year since 1988 is our proud achievement and we hope to continue this trend.

Home Collected Credit

Our network of representatives grew by 20% in the second half year and whilst this led to increased second half costs, we were rewarded with strong Christmas sales on which our early collections are encouraging. Loan loss provisioning charges for the year rose by 7%, on revenue up by 4%, and we continue to take a justifiably cautious approach to credit control. The positive developments during the year further reinforce our

strong home collected credit business and we look forward to continued controlled growth during 2007.

Advantage Finance Limited – Motor Car Finance

Our motor car finance company Advantage Finance Limited continues to progress and this year produced a further advance in profits to £2.3m in 2007 from £2.2m in 2006. In more challenging market conditions in 2006, the business adapted extremely well and enters 2007 having consolidated its position as a leading provider of subprime motor finance.

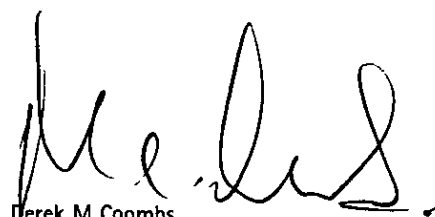
Staff

Every company is only as good as the quality and dedication of its staff and within the S&U Group we are very fortunate to have a team of the highest calibre. I must take this opportunity to thank our staff on your behalf for their contribution during the year.

Outlook for the Group as a whole

We hope and expect the results for the coming year will justify the confidence expressed in this statement.

We would like to thank all Shareholders for their support.



Derek M Coombs

Chairman

28 March 2007

“Significant growth in our home collected customer numbers and representative network.”

Managing Director's Report

“Consumers appreciate the flexibility and convenience of the products we offer.”

Although profits before tax are slightly less than last year, a significant improvement in the second half of 2006/2007, expansion in our home credit operations during this period and, most important, good current trading lead me to be more optimistic now than for many years. Pre-tax profit for 2006/2007 was £8.9m (£9.1m in 2005/2006) on revenues up from £41.3m to £42.8m. However, Group current and non-current assets in the form of receivables from their customers grew in the year from £64.2m to £72.0m. At over 12% this was the largest increase in S&U's history.

Of this no less than £4m was in our rejuvenated home credit operations. Despite the costs of adding new branches and recruiting over 80 additional Representatives throughout the country, home credit has led the Group's profits recovery in the second half and current trading, and in particular debt quality, is excellent. Further, although the ability of legislators and regulators to embark upon unnecessary and impractical consumer initiatives can never be underestimated, the current legislative environment is both more stable and predictable.

Meanwhile our secured credit operations make steady progress. In a more challenging market, Advantage Finance, our motor credit subsidiary, has produced record profits at £2.3m (2006 – £2.2m) and Communitas Finance, our second mortgage subsidiary launched last year, has, as I expected, achieved near break-even in its first full year of trading.

We maintain our frugal approach to unnecessary overheads, which have fallen around 8% since last year at Head Office level.

All this means that if current trends in trading persist, we can look forward to a resumption in Group profits growth in 2007/2008 after the hiatus of the last two years. Both this and the continued very low gearing of our company at 79% (2006 – 75%) of total equity allows us to recommend an increase in dividend to 23p per Ordinary Share (2006 – 22p) for the 6 months ending 31 January 2007.

Home Credit

My confidence in the recession resistant values of the home credit industry is buttressed now by the significant opportunities that consolidation in the industry presents to S&U. As consumer debts have grown, so more restrictive underwriting practices from competitors outside home credit has led more consumers to appreciate the flexibility and convenience of the products we offer. Hence S&U's 6% (and accelerating) increase in home credit gross advances over the last year.

Further, as the industry consolidates we increase our market share. Recent uncertainty regarding Park Credit, House of Stirling and latterly London & Scottish Bank and Morses, has given us the opportunity to increase our customer base by over 5,000 in the past year and our Representative numbers (by 20%). By profitability, S&U is

Operating Results	Year Ended	Year Ended
	31 January 2007 £m	31 January 2006 £m
Revenue	42.8	41.3
Cost of sales	(14.1)	(13.2)
Gross profit	28.7	28.1
Administrative expenses	(18.2)	(17.3)
Operating profit	10.5	10.8
Interest	(1.6)	(1.7)
Profit before taxation	8.9	9.1

Managing Director's Report *(continued)*

now within the top two in the industry and by volume has moved up to number three

Profits this year from our home credit activities were £6.6m. Although this is 4% less than last year, this trend was reversed in the second half and allowed for very significant investment in the expansion referred to earlier.

Debt quality remains good, although the activities of debt consolidators, misguided consumerists and the disposable debt culture promoted by this Government have led to an increase in loan loss provisioning of 7% on last year. Retaining, and improving, our debt quality in these conditions has seen our investment in a new Call Centre, the centralising of our customer relations, particularly in anticipation of the new Alternative Dispute Resolution regime commencing in April, and the introduction of new loan products. However, a shortening in our home credit debt profile and, in two of our subsidiaries some management reorganisation, have seen a very

promising rise in overall cash collections after the year end.

The Competition Commission issued its Final Inquiry Report in December and the industry is currently cooperating with it on implementing its Remedies. It was encouraging to see the Competition Commission comment upon how the home credit service fitted customers "like a glove", and how popular it is. Although we still dispute much of the industry diagnosis that led to the remedies, I see no concerns for S&U in implementing them. Indeed the now general recognition that the home credit industry provides a vital role in serving otherwise financially excluded customers should provide a more stable regulatory climate in which S&U can profitably operate in the coming years.

Advantage Finance

Our motor finance subsidiary has performed creditably in producing its highest ever profits of £2.3m (2006 – £2.2m) in much more challenging market conditions which have seen consumer credit for used car

sales down by 6% on a year ago. In this light, Advantage has maintained its sales levels whilst migrating to more aspirational customers and by providing a more comprehensive finance service to its key dealers through its network of regional Sales Managers. The quality of Advantage's debt and collections remains strong and this has been reflected in the appointment of its Underwriting and Collections Managers to the Advantage Board.

With the appointment of a new Sales Manager and the reorganisation of the Advantage sales team I am confident that within its niche markets Advantage will continue to produce steady, and increasingly cash generative, growth in the coming year.

Communitas Finance

At a time when second mortgage lending, particularly in the United States, has come under some scrutiny, the performance of Communitas in building a book of over £2.1m net receivables and nearing break-even in its first year of trading is encouraging.

Group Profit, Dividend and Earnings Per Share

	Year Ended 31 January 2007 £m	Year ended 31 January 2006 £m	6 months ended 31 January 2007 £m	6 months ended 31 January 2006 £m	6 months ended 31 July 2006 £m	6 months ended 31 July 2005 £m
Profit before tax	8.9	9.1	4.1	3.8	4.8	5.3
Profit after tax	6.2	6.3	2.9	2.6	3.3	3.7
Earnings per share	53.2	54.0	24.8	22.5	28.4	31.5
Dividends declared per share	32.0	31.0	23.0	22.0	9.0	9.0

Sensible and achievable business targets have been set to enable it to move into profit this year. The quality of its loan book remains strong and supervision of it has been blended with the Advantage Finance collections operation which will underpin future quality. I anticipate further growth in this secure, but inevitably more capital intensive, third leg of S&U in the coming year.

Capital Structure, Liquidity and Treasury

As our total assets have risen by 100% to £75.4m in the past year, further financing has been required. Although we retain the ability to issue equity for this purpose, both the stability and relative tax efficiency of interest rates and bank borrowing have made debt our principal source of finance in addition to retained profits.

Even so our financial position is very strong. Current gearing stands at 78.9% against 75.3% last year. Our home credit business expansion and additional funds to build both Advantage and Communitas can both be comfortably accommodated within our existing banking facilities.

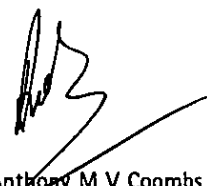
This year S&U has made a number of small home credit purchases and we monitor very carefully opportunities both within the consolidating home credit and motor finance industries. We have the resources, if necessary, to take advantage of these.

Prospects

The recent expansion of our home credit business, high standards of professionalism and debt quality leave me optimistic for the future. If inflation and the domestic economy stays benign, and the

employment market remains steady, I see no reason why we should not continue to profitably increase our customer base, and the business we do with them.

Nevertheless, good customer service is not automatic. It depends upon the enthusiasm and commitment of our growing number of staff and representatives. I pay tribute to their professionalism and persistence over the past year. Once again, I thank fellow Directors and my colleagues throughout the Group for their robust support and look forward with confidence to a satisfying and successful year ahead.



Anthony M V Coombs
Managing Director
28 March 2007

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

<p>Derek M Coombs (Aged 75) (Chairman) (Nominations Committee)</p>	<p>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.</p>
<p>Anthony M V Coombs MA (Oxon) (Aged 54) (Managing Director) (Nominations Committee)</p>	<p>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.</p>
<p>Graham D C Coombs MA (Oxon) MSc (Lon) (Aged 54)</p>	<p>Joined S&U plc after graduating from London Business School in 1976. He is responsible for the Group's subsidiaries, Wilson Topholme Limited and S D Taylor Limited and for property matters.</p>
<p>Chris Redford ACA (Aged 42) (Group Finance Director)</p>	<p>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.</p>
<p>Guy Thompson (Aged 51)</p>	<p>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.</p>
<p>Mark Hepplewhite LLB (Hons) FCA (Aged 46) (Non-executive) (Audit and Remuneration Committees)</p>	<p>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.</p>
<p>Demetrios Markou MBE FCA (Aged 63) (Non-executive) (Audit and Remuneration Committees)</p>	<p>A Chartered Accountant with over 35 years experience in public practice in Birmingham and director of many private companies. He has extensive commercial and political experience.</p>
<p>Keith R Smith (Aged 68) (Non-executive) (Nominations, Audit and Remuneration Committees)</p>	<p>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. He is Chairman of Aspen Clean Energy plc.</p>
<p>Fiann Coombs BA (Lon) MSc (Lon) (Aged 38) (Non-executive)</p>	<p>An economic analyst. He has conducted a six-months' review of the company's operations.</p>

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 January 2007

Activities

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

Business review, results and dividends

A review of developments during the year together with key performance indicators and future prospects is given in the chairman's statement on page 2 and the managing director's report on pages 3 to 5. There are no significant post balance sheet events to report

The Group's profit on ordinary activities after taxation was £6,239,000 (2006 – £6,337,000). Dividends of £3,650,000 (2006 – £3,639,000) were paid during the year

The directors recommend a final dividend, subject to shareholders approval of 23 Op per share (2006 – 22 Op). This, together with the interim dividend of 9 Op per share (2006 – 9 Op) paid during the year, makes a total dividend for the year of 32 Op per share (2006 – 31 Op)

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 2007		At 31 January 2006	
	31 5% Preference Shares	Ordinary Shares	31 5% Preference Shares	Ordinary Shares
D M Coombs	70,000	2,856,928	70,000	2,856,928
A M V Coombs	–	543,330	–	543,330
G D C Coombs	–	566,970	–	565,970
M F Hepplewhite	–	7,000	–	7,000
K R Smith	–	17,000	–	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 2007 and 28 March 2007

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 2007 (2006 – 298,048) During the year the company obtained supplies amounting to £12,130 (2006 – £12,346) from Grevayne Properties Limited The amount due to Grevayne Properties Limited at the year end was £nil (2006 – £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 C H Redford, M F Hepplewhite and D M Coombs 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

Each of the persons who is a director at the date of approval of the annual report confirms that,

- So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,
- Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985

Substantial shareholdings

At 28 March 2007, 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%

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

Environment

The Group recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the Group's activities

Directors' Report *(continued)*

Principal risks and uncertainties

The Group is involved in the provision of consumer credit and a key risk for the Group is the credit risk inherent in amounts receivable from customers which is principally controlled through our credit control policies supported by ongoing reviews for impairment. The Group is also subject to legislative and regulatory change within the consumer credit sector. 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. More detail of the Group's financial risk management policies is included in note 21.

Political and charitable contributions

During the year the company and the Group made contributions to a number of local charities of £2,950 (2006 – £2,780). No political contributions were made.

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 2007 were 50 days (2006 – 52 days), and trade creditor days for the company were 55 days (2006 – 50 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

28 March 2007

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 percentage of basic salary to be awarded for each executive. The Committee believes that any incentive compensation awarded should be tied to the

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

interests of the company's shareholders and that the principle measure of those interests is in total shareholder return. The strategic objectives, control system and indicators are also aligned to total shareholder return. The executive directors were not awarded bonuses in 2006 with the exception of a £2,500 bonus paid to Mr C H Redford and a £5,000 bonus paid to Mr J G Thompson who joined the Board during that year. There will also be no bonus paid in respect of the year ended January 2007 with the exception of £2,500 to Mr C H Redford.

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 CH 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.

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.

Non-executive directors

It is company policy that non-executive directors are not granted service contracts. 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 £17,500. 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

	2007 £000	2006 £000
Emoluments	975	937
Money purchase pension contributions	86	68
	<u>1,061</u>	<u>1,005</u>

Directors' emoluments

	Fees £000	Salaries £000	Bonus £000	Benefits in kind £000	Total 2007 £000	Total 2006 £000
Executive directors						
D M Coombs	17	209	-	37	263	261
A M V Coombs	17	170	-	28	215	213
G D C Coombs	17	145	-	14	176	176
C H Redford	17	68	2	16	103	97
J G Thompson *	17	113	-	21	151	123
Non-executive directors						
M F Hepplewhite	17	-	-	-	17	17
D Markou	16	-	-	-	16	16
K R Smith	17	-	-	-	17	17
F Coombs	17	-	-	-	17	17
	<u>152</u>	<u>705</u>	<u>2</u>	<u>116</u>	<u>975</u>	<u>937</u>

* J G Thompson was appointed from 23 March 2005

Directors' pension entitlements

4 directors are members of money purchase schemes (2006 – 4) Total contributions paid by the company in respect of such directors are shown above

Approval

This report was approved by the Board of Directors on 28 March 2007 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 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 the 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 contributions 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. 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.

The work of the Nominations Committee is to regularly review the size, structure and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary, including the process and advertising in respect of Board appointments.

Mr D M Coombs, Mr M F Hepplewhite and Mr C H Redford are proposed for re-election at the next annual general meeting. Mr M F Hepplewhite is a non-executive director and the Chairman has determined Mr Hepplewhite's performance to be both effective and committed.

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	5	1	2	4
D M Coombs	5	1		
A M V Coombs	5	1		
G D C Coombs	5			
M F Hepplewhite	5		2	4
K R Smith	5	1	2	4
D Markou	5		2	4
F Coombs	5			
J G Thompson	5			
C H Redford	5			

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 pages 17 to 18.

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 revised 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 2007 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 A.4.1 of the code which requires that the nominations committee is made up of a majority of independent non-executive directors. The current committee comprises the Chairman, the Managing Director and the Senior Independent Director which was the case for the whole of the financial year ended 31 January 2007 and was considered appropriate by the Board given the size, nature and structure of the company. The Board intends to comply with the provisions of A.4.1 during financial year ended 31 January 2008.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

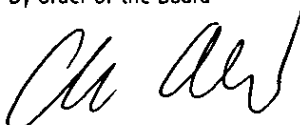
International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with 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 IFRSs. However, 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 IFRSs are 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's 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

28 March 2007

Independent Auditors' Report

To the members of S&U Plc

We have audited the Group and parent company financial statements (the "financial statements") of S&U plc for the year ended 31 January 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense and the related notes 1 to 27. 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 by 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Managing Director's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 to be 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 to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2007 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 January 2007,
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham, UK

28 March 2007

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Group Income Statement

Year ended 31 January 2007

	Note	2007 £000	2006 £000 Restated (note 27)
Revenue	2	42,795	41,275
Cost of sales	3	(14,146)	(13,143)
Gross profit		28,649	28,132
Administrative expenses		(18,180)	(17,314)
Operating profit		10,469	10,818
Finance costs	6	(1,539)	(1,694)
Profit before taxation	2	8,930	9,124
Taxation	7	(2,691)	(2,787)
Profit for the year		6,239	6,337
Earnings per share basic and diluted	10	53 2p	54 0p

All activities derive from continuing operations

Statement of Recognised Income and Expense

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Profit for the year	6,239	6,337	3,930	3,554
Actuarial gain on defined benefit pension scheme	22	14	22	14
Total recognised income for the year attributable to equity holders of the parent	6,261	6,351	3,952	3,568

Balance Sheet

31 January 2007

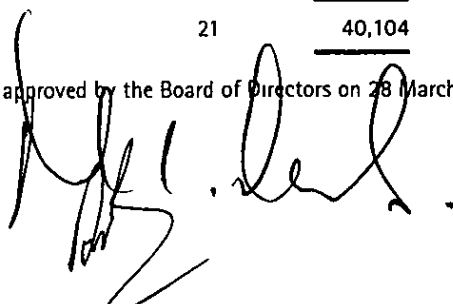
	Note	Group 2007 £000	Group 2006 £000 Restated (note 27)	Company 2007 £000	Company 2006 £000 Restated (note 27)
ASSETS					
Non current assets					
Property, plant and equipment	11	2,280	2,283	665	677
Investments	12	-	-	2,893	2,893
Amounts receivable from customers	13	22,495	19,807	164	180
Derivative financial instruments	22	93	-	93	-
Retirement benefit asset	26	40	-	40	-
Deferred tax assets	18	-	27	-	99
		<u>24,908</u>	<u>22,117</u>	<u>3,855</u>	<u>3,849</u>
Current assets					
Inventories	14	176	81	51	30
Amounts receivable from customers	13	49,526	44,375	13,245	12,339
Trade and other receivables	15	784	619	20,603	20,981
Current income tax assets		-	1,427	402	1,059
Cash and cash equivalents		5	11	4	11
		<u>50,491</u>	<u>46,513</u>	<u>34,305</u>	<u>34,420</u>
Total assets		<u>75,399</u>	<u>68,630</u>	<u>38,160</u>	<u>38,269</u>
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	16	(11,647)	(8,214)	(1,022)	(1,007)
Trade and other payables	17	(978)	(953)	(400)	(877)
Tax Liabilities		(867)	(198)	(135)	(103)
Accruals and deferred income		(1,223)	(1,303)	(208)	(193)
		<u>(14,715)</u>	<u>(10,668)</u>	<u>(1,765)</u>	<u>(2,180)</u>
Non current liabilities					
Bank loans	16	(20,000)	(20,000)	(20,000)	(20,000)
Deferred tax liabilities	18	(130)	-	(23)	-
Financial liabilities	20	(450)	(450)	(450)	(450)
Derivative financial instruments	22	-	(19)	-	(19)
		<u>(20,580)</u>	<u>(20,469)</u>	<u>(20,473)</u>	<u>(20,469)</u>
Total liabilities		<u>(35,295)</u>	<u>(31,137)</u>	<u>(22,238)</u>	<u>(22,649)</u>
NET ASSETS		<u>40,104</u>	<u>37,493</u>	<u>15,922</u>	<u>15,620</u>
Equity					
Called up share capital	19	1,667	1,667	1,667	1,667
Share premium account	21	2,136	2,136	2,136	2,136
Profit and loss account	21	36,301	33,690	12,119	11,817
Total equity	21	<u>40,104</u>	<u>37,493</u>	<u>15,922</u>	<u>15,620</u>

These financial statements were approved by the Board of Directors on 28 March 2007

D M Coombs

A M V Coombs

} Directors



Cash Flow Statement

Year ended 31 January 2007

	Note	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Net cash from operating activities	23	715	1,657	3,817	3,576
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		162	125	67	25
Purchases of property, plant and equipment		(666)	(569)	(256)	(262)
Net cash used in investing activities		(504)	(444)	(189)	(237)
Cash flows from financing activities					
Dividends paid		(3,650)	(3,639)	(3,650)	(3,639)
Net increase in overdraft		3,433	2,423	15	298
Net cash used in financing activities		(217)	(1,216)	(3,635)	(3,341)
Net (decrease) in cash and cash equivalents		(6)	(3)	(7)	(2)
Cash and cash equivalents at the beginning of period		11	14	11	13
Cash and cash equivalents at the end of period		5	11	4	11
Cash and bank overdrafts comprise					
Cash		5	11	4	11

There are no cash and cash equivalent balances which are not available for use by either the Group or the company (2006 – Enil)

Notes to the Accounts

Year ended 31 January 2007

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

As a listed company we are required to prepare our consolidated financial statements in accordance with international financial reporting standards (IFRS) adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. We have also prepared our S&U plc company financial statements in accordance with IFRS adopted by the European Union.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value. The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the year ended 31 January 2007.

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

IFRS 8 Operating Segments

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 10 Interim Financial Reporting and Impairment

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 disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

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 of the loan back to the present value of the advance. Acceptance fees charged to customers and any direct transaction cost are included in the calculation of the EIR. Under IAS 39 credit charges on loan products continue to accrue at the EIR on all impaired capital balances 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.

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.

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. Accounting policies (continued)

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 IFRS 1.

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
Freehold Land is not depreciated	

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 31.5% preference share capital is carried in the balance sheet at amortised cost and shown as a financial liability. The issued 6% preference share capital is valued at par and shown as called up share capital.

1.9 Pensions

The Group contributes to a defined benefit pension scheme. 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. Actuarial gains and losses are recognised immediately in the financial statements.

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

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.

Notes to the Accounts *(continued)*

Year ended 31 January 2007

1. Accounting policies (continued)

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 an 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, 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 key 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 revenue recognition and impairment in 1.3 and 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.

Class of business	Revenue		Profit before taxation	
	Year ended 31 January 2007 £000	Year ended 31 January 2006 £000 Restated (note 27)	Year ended 31 January 2007 £000	Year ended 31 January 2006 £000
Consumer credit, rentals and other retail	31,120	30,099	6,618	6,887
Car finance	11,675	11,176	2,312	2,237
	<u>42,795</u>	<u>41,275</u>	<u>8,930</u>	<u>9,124</u>

2 Segmental analysis (continued)

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

Class of business	Assets		Liabilities	
	Year ended	Year ended	Year ended	Year ended
	31 January	31 January	31 January	31 January
	2007	2006	2007	2006
	£000	£000	£000	£000
				Restated (note 27)
Consumer credit, rentals and other retail	43,233	38,215	(6,913)	(3,786)
Car finance	32,166	30,415	(28,382)	(27,351)
	<u>75,399</u>	<u>68,630</u>	<u>(35,295)</u>	<u>(31,137)</u>

Depreciation of assets for consumer credit was £398,000 (2006 – £387,000) and for car finance was £80,000 (2006 – £90,000)
Fixed asset additions for consumer credit were £586,000 (2006 – £463,000) and for car finance were £80,000 (2006 – £106,000)

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

3. Cost of sales

	2007	2006
	£000	£000
		Restated (note 27)
Loan loss provisioning charge – consumer credit	6,337	5,928
Loan loss provisioning charge – car finance	4,105	3,756
Total Loan loss provisioning charge	<u>10,442</u>	<u>9,684</u>
Other cost of sales	3,704	3,459
	<u>14,146</u>	<u>13,143</u>

4 Information regarding employees

	2007	2006
	No	No
The average number of persons employed by the Group in the year was		
Consumer credit, rentals and other retail trading	291	274
Car finance	75	75
	<u>366</u>	<u>349</u>

Notes to the Accounts *(continued)*

Year ended 31 January 2007

4. Information regarding employees (continued)

	2007	2006
	£000	£000
Staff costs during the year (including directors)		
Wages and salaries	7,950	7,413
Social security costs	795	766
Pension costs for money purchase scheme	168	160
	<u>8,913</u>	<u>8,339</u>

Directors' remuneration is disclosed in the audited section of the Directors' Remuneration Report

5 Operating profit

	2007	2006
	£000	£000
Operating profit is after charging/(crediting)		
Depreciation and amortisation		
Owned assets	478	477
Staff costs (see note 4)	8,913	8,339
Rentals under operating leases		
Hire of plant and machinery	9	5
Other operating leases	307	315
Loss on sale of fixed assets	29	41
Rentals received/receivable under operating leases	(162)	(195)
	<u></u>	<u></u>
The analysis of auditors' remuneration is as follows		
Auditors' remuneration for audit fees		
Fees payable to the Group's auditors for the audit of the Group and company annual accounts	40	75
Audit of company's subsidiaries pursuant to legislation	32	30
Auditors' remuneration for non-audit fees		
Other services pursuant to legislation	15	15
Tax services	13	15
	<u></u>	<u></u>
Total	<u>100</u>	<u>135</u>

The audit fee for the company was £30,000 (2006 – £30,000)

6 Finance costs

	2007	2006
	£000	£000
31 5% cumulative preference dividend	142	142
Bank loan and overdraft	1,585	1,527
(Profit)/loss on financial derivative instrument	(112)	19
Other interest payable	5	6
	<u></u>	<u></u>
Interest payable and similar charges	1,620	1,694
Interest receivable	(81)	-
	<u>1,539</u>	<u>1,694</u>

7 Tax on profit before taxation

	2007	2006
	£000	£000
Corporation tax at 30% (2006 – 30%) based on the profit for the year	2,584	2,893
Adjustment in respect of prior years	(50)	1,955
	<u>2,534</u>	<u>4,842</u>
Deferred tax (timing differences – origination and reversal)	157	(2,061)
	<u>2,691</u>	<u>2,787</u>

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

	2007	2006
	£000	£000
Profit on ordinary activities before tax	8,930	9,124
Tax on profit on ordinary activities at standard rate of 30% (2006 – 30%)	2,679	2,737
<i>Factors affecting charge for the period</i>		
Expenses not deductible for tax purposes	46	51
Capital allowances in excess of depreciation	–	(6)
Tax losses	–	111
Prior period adjustments	(34)	1,955
Deferred tax	–	(2,061)
	<u>2,691</u>	<u>2,787</u>

Total actual amount of tax

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 £3,930,000 (2006 – £3,554,000)

9 Dividends

	2007	2006
	£000	£000
Final paid for the year ended 31/1/2006 – 22 Op per Ordinary share (22 Op)	2,583	2,583
Interim paid for the year ended 31/1/2007 – 9 Op per Ordinary share (9 Op)	1,056	1,056
	<u>3,639</u>	<u>3,639</u>

Dividends for 2007 shown in note 21, the cash flow statement and the directors report also include £11,000 dividend for the senior preference shares

The directors are proposing a final dividend for the year ended 31 January 2007 of 23 Op per ordinary share. The dividend will be paid on 1 June 2007 to shareholders on the register at close of business on 4 May 2007 subject to approval by shareholders at the Annual General Meeting on Friday 18 May 2007

Notes to the Accounts *(continued)*

Year ended 31 January 2007

10 Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £6,239,000 (2006 – £6,337,000)

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2006 – 11,737,228) There are no dilutive shares

11. Property, plant and equipment

	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
The Group				
Cost or valuation				
At 1 February 2005	1,148	2,884	1,412	5,444
Additions	5	417	147	569
Disposals	–	(617)	(5)	(622)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 2006	1,153	2,684	1,554	5,391
Additions	3	525	138	666
Disposals	–	(536)	(3)	(539)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2007	1,156	2,673	1,689	5,518
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation				
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)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 2006	257	1,620	1,231	3,108
Charge for the year	19	351	108	478
Eliminated on disposals	–	(345)	(3)	(348)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2007	276	1,626	1,336	3,238
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 January 2007	880	1,047	353	2,280
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2006	896	1,064	323	2,283
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the above is land at a cost or valuation of £60,000 (2006 – £60,000) which is not depreciated

11 Property, plant and equipment (continued)

	Freehold land and buildings £000	Motor vehicles £000	Fixtures and Fittings £000	Total £000
The Company				
At 1 February 2005	80	1,059	647	1,786
Additions	-	166	96	262
Disposals	-	(145)	-	(145)
At 1 February 2006	80	1,080	743	1,903
Additions	-	184	72	256
Disposals	-	(133)	-	(133)
At 31 January 2007	80	1,131	815	2,026
Accumulated depreciation				
At 1 February 2005	17	597	523	1,137
Charge for the year	1	149	46	196
Eliminated on disposals	-	(107)	-	(107)
At 1 February 2006	18	639	569	1,226
Charge for the year	1	142	55	198
Eliminated on disposals	-	(63)	-	(63)
At 31 January 2007	19	718	624	1,361
Net book value				
At 31 January 2007	61	413	191	665
At 31 January 2006	62	441	174	677

Included in the above is land at cost of £22,000 (2006 – £22,000) which is not depreciated

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

The Group		The Company	
2007	2006	2007	2006
£000	£000	£000	£000
249	245	65	74

Notes to the Accounts *(continued)*

Year ended 31 January 2007

12. Investments and related party transactions

The Company £000

Shares in subsidiary companies

At 1 February 2005, 1 February 2006 and 31 January 2007 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 £12,130 (2006 – £12,346) 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 (2006 – £nil)

Company

The company received dividends from other Group undertakings totalling £3,281,000 (2006 – £2,969,000). During the 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 2007 the company was owed £20,350,921 (2006 – £20,828,005) by other Group undertakings and owed £3,784 (2006 – £587,903)

13. Amounts receivable from customers

	The Group		The Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Consumer Credit	55,622	48,857	19,130	18,050
Car finance hire purchase	40,894	37,920	-	-
	<u>96,516</u>	<u>86,777</u>	<u>19,130</u>	<u>18,050</u>
Less Loan loss provision consumer credit	(15,459)	(14,661)	(5,721)	(5,531)
Less Loan loss provision car finance	(9,036)	(7,934)	-	-
	<u>72,021</u>	<u>64,182</u>	<u>13,409</u>	<u>12,519</u>
Amounts receivable from customers				
Analysed as				
- due within one year	49,526	44,375	13,245	12,339
- due in more than one year	22,495	19,807	164	180
	<u>72,021</u>	<u>64,182</u>	<u>13,409</u>	<u>12,519</u>

14. Inventories

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Finished goods and goods for resale	<u>176</u>	<u>81</u>	<u>51</u>	<u>30</u>

15 Trade and other receivables

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Amounts owed by subsidiary undertakings	–	–	20,351	20,828
Other debtors	534	418	173	113
Prepayments and accrued income	<u>250</u>	<u>201</u>	<u>79</u>	<u>40</u>
	<u>784</u>	<u>619</u>	<u>20,603</u>	<u>20,981</u>

All the above amounts fall due within one year

16 Bank overdrafts and loans

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Bank overdrafts and loans – due within one year	11,647	8,214	1,022	1,007
Bank loan – due in more than one year	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
	<u>31,647</u>	<u>28,214</u>	<u>21,022</u>	<u>21,007</u>

S&U plc had the following overdraft facilities available at 31 January 2007

A facility for £10 million (2006 – £10m) was reviewed in January 2007 and is subject to annual review

A facility for £2 million (2006 – £2m) was reviewed in September 2006 and is subject to annual review

A 364 day loan facility for £5 million was put in place in August 2006 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

Notes to the Accounts *(continued)*

Year ended 31 January 2007

17 Trade and other payables

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade creditors	365	381	108	94
Amounts owed to subsidiary undertakings	-	-	4	588
Other creditors	613	572	288	195
	<u>978</u>	<u>953</u>	<u>400</u>	<u>877</u>

18 Deferred tax

	Accelerated tax depreciation £000	Revaluation of property £000	Derivative financial instrument £000	Retirement benefit obligations £000	Tax losses £000	Total £000
The Group						
At 1 February 2005	58	(139)	-	-	2,169	2,088
(Debit)/credit to income	(6)	3	-	-	(2,058)	(2,061)
At 1 February 2006	52	(136)	-	-	111	27
(Debit)/credit to income	(6)	-	(28)	(12)	(111)	(157)
At 31 January 2007	<u>46</u>	<u>(136)</u>	<u>(28)</u>	<u>(12)</u>	<u>-</u>	<u>(130)</u>
The Company	£000	£000	£000	£000	£000	£000
At 1 February 2005	26	-	-	-	1,158	1,184
(Debit)/credit to income	(4)	-	-	-	(1,081)	(1,085)
At 1 February 2006	22	-	-	-	77	99
(Debit)/credit to income	(5)	-	(28)	(12)	(77)	(122)
At 31 January 2007	<u>17</u>	<u>-</u>	<u>(28)</u>	<u>(12)</u>	<u>-</u>	<u>(23)</u>

The Group and the company have assessed that all the deferred tax assets and liabilities shown above should be offset for financial reporting purposes

19 Called up share capital and preference shares

	2007 £000	2006 £000 Restated (note 27)
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
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
Called up share capital	1,667	1,667

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 6.0% Cumulative Preference shares do not carry voting rights so long as the dividends are not in arrears.

20. Financial liabilities
Preference Share Capital

	2007 £000	2006 £000 Restated (note 27)
Authorised		
3,600,756 31.5% Cumulative Preference shares of 12 5p each	450	450
Called up, allotted and fully paid		
3,600,756 31.5% Cumulative Preference shares of 12 5p each	450	450

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. The 31.5% Cumulative Preference shares do not carry voting rights so long as the dividends are not in arrears.

Notes to the Accounts *(continued)*

Year ended 31 January 2007

21 Shareholders' funds and statement of changes in equity

	Called up Share Capital Restated (note 27) £000	Share Premium Account £000	Profit and Loss Account Restated (note 27) £000	Total Equity £000
The Group				
At 1 February 2005	1,667	2,136	30,978	34,781
Actuarial gain on pension	-	-	14	14
Profit for year	-	-	6,337	6,337
Dividends	-	-	(3,639)	(3,639)
At 1 February 2006	1,667	2,136	33,690	37,493
Actuarial gain on pension	-	-	22	22
Profit for year	-	-	6,239	6,239
Dividends	-	-	(3,650)	(3,650)
At 31 January 2007	1,667	2,136	36,301	40,104
The Company				
At 1 February 2005	1,667	2,136	11,888	15,691
Actuarial gain on pension	-	-	14	14
Profit for year	-	-	3,554	3,554
Dividends	-	-	(3,639)	(3,639)
At 1 February 2006	1,667	2,136	11,817	15,620
Actuarial gain on pension	-	-	22	22
Profit for year	-	-	3,930	3,930
Dividends	-	-	(3,650)	(3,650)
At 31 January 2007	1,667	2,136	12,119	15,922

22 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 2007 the Group's indebtedness amounted to £32,097,000 (2006 – £28,664,000) and the company's indebtedness amounted to £21,472,000 (2006 – £21,457,000). The Group gearing was 78.9% (2006 – 75.3%), 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).

S&U plc has unused committed borrowing facilities at 31 January 2007 of £5.6m (2006 – £3.1m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2007 was estimated to be 5.7% (2006 – 6.0%). The average effective interest rate on financial assets of the company was estimated to be 2.9% (2006 – 2.9%). The average effective interest rate of financial liabilities of the Group at 31 January 2007 was estimated to be 6% (2006 – 6%). The average effective interest rate on financial liabilities of the Company at 31 January 2007 was estimated to be 6% (2006 – 6%).

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 2007 was estimated to be an asset of £93,000 (2006 – liability of £19,000). The contract is designated as a hedge. The credit of £112,000 (2006 – debit 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 liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities with the exception of the junior preference share capital are considered to be not materially different from their book values. The junior preference share capital classified as a financial liability is estimated to have a fair value of £1.9m (2006 – £1.9m) but is considered more appropriate under IFRS to be included in the balance sheet at amortised cost.

Notes to the Accounts *(continued)*

Year ended 31 January 2007

22. Financial instruments (continued)

Group	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
At 31 January 2007						
Financial assets	49,526	9,793	11,324	1,378	–	72,021
Other assets	–	–	–	–	3,373	3,373
Cash at bank and in hand	5	–	–	–	–	5
Total assets	49,531	9,793	11,324	1,378	3,373	75,399
Shareholders' funds	–	–	–	–	(40,104)	(40,104)
Bank overdrafts and loans	(11,647)	–	(20,000)	–	–	(31,647)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(3,198)	(3,198)
Total liabilities and shareholders' funds	(11,647)	–	(20,000)	(450)	(43,302)	(75,399)
Cumulative gap	37,884	47,677	39,001	39,929	–	–

Group	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
At 31 January 2006						
Financial assets	44,375	9,633	10,174	–	–	64,182
Other assets	–	–	–	–	4,437	4,437
Cash at bank and in hand	11	–	–	–	–	11
Total assets	44,386	9,633	10,174	–	4,437	68,630
Shareholders' funds	–	–	–	–	(37,493)	(37,493)
Bank overdrafts and loans	(8,214)	–	(20,000)	–	–	(28,214)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(2,473)	(2,473)
Total liabilities and shareholders' funds	(8,214)	–	(20,000)	(450)	(39,966)	(68,630)
Cumulative gap	36,172	45,805	35,979	35,529	–	–

22 Financial instruments (continued)

Company	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
At 31 January 2007						
Financial assets	13,245	164	-	-	-	13,409
Other assets	-	-	-	-	24,747	24,747
Cash at bank and in hand	4	-	-	-	-	4
Total assets	13,249	164	-	-	24,747	38,160
Shareholders' funds	-	-	-	-	(15,922)	(15,922)
Bank overdrafts and loans	(1,022)	-	(20,000)	-	-	(21,022)
Financial liabilities	-	-	-	(450)	-	(450)
Other liabilities	-	-	-	-	(766)	(766)
Total liabilities and shareholders' funds	(1,022)	-	(20,000)	(450)	(16,688)	(38,160)
Cumulative gap	12,227	12,391	(7,609)	(8,059)	-	-

Company	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
At 31 January 2006						
Financial assets	12,339	180	-	-	-	12,519
Other assets	-	-	-	-	25,739	25,739
Cash at bank and in hand	11	-	-	-	-	11
Total assets	12,350	180	-	-	25,739	38,269
Shareholders' funds	-	-	-	-	(15,620)	(15,620)
Bank overdrafts and loans	(1,007)	-	(20,000)	-	-	(21,007)
Financial liabilities	-	-	-	(450)	-	(450)
Other liabilities	-	-	-	-	(1,192)	(1,192)
Total liabilities and shareholders' funds	(1,007)	-	(20,000)	(450)	(16,812)	(38,269)
Cumulative gap	11,343	11,523	(8,477)	(8,927)	-	-

Notes to the Accounts *(continued)*

Year ended 31 January 2007

23 Reconciliation of operating profit to net cash from operating activities

	Group 2007 £000	Group 2006 £000	Company 2007 £000	Company 2006 £000
Operating profit	10,469	10,818	4,302	4,150
Finance costs paid	(1,732)	(1,675)	(234)	(277)
Finance income received	81	-	39	-
Tax paid	(438)	(2,074)	522	(234)
Depreciation on plant, property and equipment	478	477	198	196
Loss on disposal of plant, property and equipment	29	41	3	13
(Increase) in amounts receivable from customers	(7,839)	(5,732)	(890)	(392)
(Increase)/decrease in inventories	(95)	10	(21)	26
(Increase)/decrease in trade and other receivables	(165)	98	378	1,387
Increase/(decrease) in trade and other payables	25	(353)	(477)	(1,349)
Increase/(decrease) in accruals and deferred income	(80)	70	15	41
(Decrease) in retirement benefit obligations	(18)	(23)	(18)	(23)
Net cash from operating activities	715	1,657	3,817	3,576

24 Financial commitments

Capital commitments

At 31 January 2007 and 31 January 2006, the Group and company had no capital commitments contracted but not provided for

Operating lease commitments

At 31 January 2007 and 31 January 2006, the Group and company had annual commitments under non-cancellable other operating leases as set out below

	The Group		The Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Land and buildings				
Leases which expire				
Within one year	12	48	12	36
Within two to five years	197	197	131	140
After five years	38	7	-	-
	<u>247</u>	<u>252</u>	<u>143</u>	<u>176</u>
Other				
Leases which expire				
Within one year	1	2	-	-
Within two to five years	9	3	-	-
After five years	-	-	-	-
	<u>10</u>	<u>5</u>	<u>-</u>	<u>-</u>

25. 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 2007 was £10,625,000 (2006 – £7,207,000).

26 Retirement benefit obligations

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 for active members 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 2007. 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 to 31 January 2008 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 2007 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 2007	At year end 31 January 2006
Rate of increase in salaries	4.8%	4.5%
Rate of increase in pensions in payment	3.3%	3.0%
Discount rate	5.3%	4.6%
Inflation assumption	3.3%	3.0%

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 2007	Fair value at 31 January 2007 £000	Expected rate of return at 31 January 2006	Fair value at 31 January 2006 £000
Equities	7.8%	815	7.6%	860
Bonds	5.3%	256	4.6%	188
Other	5.2%	24	4.5%	12
Total market value of assets		<u>1,095</u>		<u>1,060</u>

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

	2007 £000	2006 £000
Present value of defined benefit obligations	1,055	1,056
Fair value of plan assets	<u>(1,095)</u>	<u>(1,060)</u>
Pension (asset)/liability	<u>(40)</u>	<u>(4)</u>

Notes to the Accounts *(continued)*

Year ended 31 January 2007

26 Retirement benefit obligations (continued)

	2007 £000	2006 £000
Current service cost	8	5
Interest on obligation	49	55
Expected return on plan assets	(75)	(73)
Net actuarial losses (gains) recognised in year	0	0
Past service cost	0	0
Restriction of likely surplus asset	4	0
Expense recognised in the income statement	(14)	(13)
Opening net (asset)/liability	(4)	23
Expense	(14)	(13)
Contributions paid	-	-
Actuarial (gain)/loss	(22)	(14)
Closing net (asset)	(40)	(4)

The expense credit in both years is shown within administrative expenses

History of experience adjustments	2007 £000	2006 £000	2005 £000	2004 £000
Expected return on plan assets	75	73	73	63
Actuarial gain/(loss) on plan assets	42	40	8	169
Actual return on plan assets	117	113	81	232
Movement in present value of obligation				
Present value of obligation at 1 February	1,056	1,050	1,115	1,030
Interest cost	49	55	61	57
Current service cost	8	5	5	10
Other cost	4	0	0	37
Benefits paid	(82)	(80)	(81)	(82)
Actuarial (gain)/loss on obligation	20	26	(50)	63
Present value of obligation at 31 January	1,055	1,056	1,050	1,115
Experience adjustment on scheme liabilities				
Actuarial (gain)/loss as percentage of scheme liabilities	2%	2%	5%	10%
Movement in fair value of plan assets				
Fair value of plan assets at 1 February	1,060	1,027	1,027	877
Expected return on plan assets	75	73	73	63
Contributions	0	0	0	0
Benefits paid	(82)	(80)	(81)	(82)
Actuarial gain/(loss) on plan assets	42	40	8	169
Fair value of plan assets at 31 January	1,095	1,060	1,027	1,027
Experience adjustment on scheme assets				
Actuarial (gain)/loss as percentage of scheme assets	4%	4%	1%	16%

27 Prior year adjustments

Further to a review of our implementation of IFRS, we have

- 1 amended the basis on which the gross-up adjustment to revenue and cost of sales is recognised under IAS 39. As a result, Revenue and Cost of Sales have been reduced by £12.2m in the 12 months to January 2006. This adjustment does not affect profit.
- 1 reviewed the classification and measurement of the preference shares. We consider that it is more appropriate to recognise the junior preference shares as a liability measured at amortised cost and the senior preference shares as equity, recognised at par. Financial liabilities have therefore been reduced by £1.6m and called up share capital has been increased by £0.2m as at 31 January 2006. The adjustments increase retained reserves by £1.6m and do not impact the profit for the period.

Five Year Financial Record

	2003 UK GAAP £000	2004 UK GAAP £000	2005 IFRS £000	2006 IFRS £000	2007 IFRS £000
Operating profit	8,793	9,693	11,068	10,818	10,469
Profit before taxation	7,846	9,037	9,550	9,124	8,930
Taxation	(2,293)	(2,711)	(2,919)	(2,787)	(2,691)
Profit for the year	5,553	6,326	6,631	6,337	6,239
Assets employed					
Fixed assets	2,646	2,474	2,357	2,283	2,280
Amounts receivable and other assets	62,215	65,589	61,506	66,347	73,119
	64,861	68,063	63,863	68,630	75,399
Liabilities	(29,398)	(29,832)	(29,282)	(31,137)	(35,295)
Total equity	35,463	38,231	34,581	37,493	40,104
Earnings per Ordinary share	46 0p	52 6p	56 5p	54 0p	53 2p
Dividends declared per Ordinary share	29 0p	30 0p	31 0p	31 0p	32 0p
Key ratios					
Return on capital employed	15 2%	16 2%	18 2%	16 4%	14 6%
Group gearing	68 3%	62 8%	74 6%	75 3%	78 9%

The results for the years ended 31 January 2003 and 2004 have not been restated in accordance with IFRS. Hence those results are not directly comparable to 2005, 2006 and 2007.

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 and Loans in Current Liabilities 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-ninth Annual General Meeting of S&U Plc will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Friday 18 May 2007 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 resolutions 10 to 12 will be proposed as a special resolutions

Ordinary Resolutions

- 1 To receive the directors' report and the company's annual accounts for the year ended 31 January 2007, 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 2007
- 3 To declare a final ordinary dividend for the year ended 31 January 2007 of 23.0 pence per ordinary share in the capital of the company, to be paid on 1 June 2007 to shareholders whose names appear on the register at close of business on 4 May 2007
- 4 To re-elect as a director Mr D M Coombs (Aged 75) who retires by rotation
- 5 To re-elect as a director Mr M F Hepplewhite (Aged 46) who retires by rotation
- 6 To re-elect as a director Mr C H Redford (Aged 42) 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, 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
13 April 2007



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. 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 was signed. Appointment of a proxy shall not preclude a shareholder from attending 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 11am 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 disappplied 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.

Form of Proxy

Proxy for use at the annual general meeting of the company
to be held on 18 May 2007 at 11 30 a.m.

I/We _____ of
(Block Capitals)

being a member/members of the above-named company, HEREBY APPOINT the chairman of the meeting*

to act as my/our proxy and to vote for me/us on my/our behalf
at the annual general meeting of the company, to be held on the 18 May 2007 at 11 30 a.m. and any adjournment thereof, and in respect
of the resolutions set forth in the notice convening such meeting to vote thereon as directed below, or failing any direction as regards
the resolutions, as my/our proxy thinks fit both as to how he/she votes and as to whether or not he/she abstains from voting

The manner in which the proxy is to vote should be indicated by inserting 'X' in the appropriate box

Ordinary resolutions		FOR	AGAINST
Resolution No 1 –	To receive and adopt the Statement of Accounts for the year ended 31 January 2007 together with the Reports of the Directors and Auditors		
Resolution No 2 –	To approve the report of the Board on remuneration policy		
Resolution No 3 –	To declare a final dividend		
Resolution No 4 –	To elect Mr D M Coombs as a director		
Resolution No 5 –	To re-elect Mr M F Hepplewhite as a director		
Resolution No 6 –	To re-elect Mr C H Redford as a director		
Resolution No 7 –	To re-appoint Deloitte & Touche LLP as auditors		
Resolution No 8 –	To authorise the directors to agree the remuneration of the auditors		
Resolution No 9 –	To give the company authority to allot shares		
Special resolutions			
Resolution No 10 –	Disapplication of pre-emption rights		
Resolution No 11 –	To give the company authority to make market purchases of its own 6% cumulative preference shares		
Resolution No 12 –	To give the company authority to make market purchases of its own 31 5% cumulative preference shares		

Signed this _____ day of _____ 2007 Signature _____

* Delete if it is desired to appoint any other person and insert his/her name and address A proxy need not be a member of the company

NOTES

- (1) In the case of a corporation this proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised
- (2) This proxy together with any power of attorney or other authority under which it is signed must be received by the company at its registrars' office (address as over) not less than 48 hours before the time for the holding of the meeting
- (3) Any member of the company entitled to attend and vote at this meeting may appoint another person or persons as a proxy to attend and on a poll, to vote in his stead The proxy need not be a member of the company
- (4) In accordance with the company's articles of association, holders of the 6.0% and 31.5% cumulative preference shares are not entitled to attend or vote in respect of these shares at this annual general meeting

SECOND FOLD

AFFIX
STAMP
HERE

Capita Registrars
Proxy Processing Centre
Telford Road
Bicester
OX26 4LD

FIRST FOLD

THIRD FOLD AND TUCK IN

Locations

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BACUP

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EDINBURGH

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