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# S&U PLC

ANNUAL REPORT AND ACCOUNTS 2000

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## S & U PLC

*The group provides consumer credit, primarily financial services  
including hire purchase finance for car purchase and  
sales of electrical merchandise throughout  
England, Wales and Scotland.*

*The group also manufactures hosiery primarily for export.*

## FINANCIAL HIGHLIGHTS

	2000 £000	1999 £000
<b>TURNOVER</b>	<b>68,535</b>	<b>64,833</b>
<b>OPERATING PROFIT</b>	<b>6,188</b>	<b>6,066</b>
<b>PROFIT BEFORE TAXATION</b>	<b>6,007</b>	<b>5,852</b>
<b>EARNINGS PER ORDINARY SHARE</b>	<b>34.9p</b>	<b>33.3p</b>
<b>DIVIDEND PER ORDINARY SHARE</b>	<b>21.0p</b>	<b>20.0p</b>

## FINANCIAL CALENDAR

<b>Annual General Meeting</b>		<b>13 June 2000</b>
<b>Announcement of results</b>	Half year ending 31 July 2000 Year ending 31 January 2001	<b>October 2000 April 2001</b>
<b>Payment of dividends</b>	6% (formerly 4.2%) Cumulative Preference shares	<b>30 September 2000 &amp; 31 March 2001</b>
	31.5% Cumulative Preference shares	<b>31 July 2000 &amp; 31 January 2001</b>
	Ordinary shares – 2000 Final – 2001 Interim	<b>July 2000 November 2000</b>

## 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)  
R. E. J. Fisher FCA

M. F. Hepplewhite LLB (Hons) FCA (*Non-executive*)  
D. Markou MBE FCA (*Non-executive*)  
K. R. Smith (*Non-executive*)

### Secretary

E. D. Maiden

### Registered Office

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

### Registrars

IRG plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1NQ  
Tel: 0208 639 2000

### Bankers

HSBC Bank plc  
130 New Street  
Birmingham B2 4JU

National Westminster Bank PLC  
1 Upper Market Square  
Stoke on Trent ST1 1QA

### Solicitors

Edge Ellison  
Rutland House  
148 Edmund Street  
Birmingham B3 2JR

### Stockbrokers

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

### Auditors

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Row  
Birmingham B3 2BN

## CHAIRMAN'S STATEMENT

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### Results

The operating profit for the year has increased to £6.2m from £6.1m in 1999. Pre-tax trading profits for the year are £6.0m as against £5.9m for the previous year.

Turnover is £68.5m as compared to £64.8m for the comparable period. The Board is recommending a final dividend of 16p per share, making 21p per share for the year, compared to 20p in 1999, an increase for the year as a whole of 5%. This means that shareholders have enjoyed compound dividend growth in dividend income of 13.70% per annum over the last 10 years.

### Home Collected Credit

There was progress made in almost all parts of the country. The full year's figures show a reasonable advance for the year in the Midlands and the South, and in our S D Taylor subsidiary in the North-west. A new branch has been opened in Ipswich and additional representatives started at other branches. The costs of building the investment in these has meant only slightly increased profits in this period, but will enhance the future. The demand for our services continues to be encouraging.

We believe there is potential for steady growth and our strategy is to recruit more agents and add to our customer base.

### Motor Car Finance – Advantage Finance Limited

One highly significant investment in the future made during the period under review is the establishment of a new wholly owned subsidiary company. In May last year, I formed a team of outstanding executives experienced in this field, in a new start-up company called Advantage Finance Limited. Advantage started trading from its head quarters in Grimsby on 5 July 1999, providing hire purchase finance for second-hand cars. We have justifiably high expectations of this exciting development.

We budgeted for a start-up loss in the first seven months to January 2000 and for the company to be making a monthly profit by month nine. In the event, the loss for the first seven months has been slightly less than budgeted, and we moved into monthly profit a month earlier than envisaged. I believe that we have a first class team presenting a first class service with great professionalism. Advantage will make a meaningful contribution to group profits in the half year to July 2000. We have established the funding that they will need to achieve the plan for the coming year, and have confidence in their ability to provide a significant addition to the profits of the group in this current year. This is the start of the most exciting development for S & U, and we expect this new venture will play an increasingly important role in rising trading profits for future years.

### Review

The Group remains in a strong financial position. The outlook for the future is very satisfactory. We shall continue to keep a look out for opportunities to acquire additional businesses that can be absorbed successfully into our existing structure. We are also alert to the additional opportunities that will become available through the internet.

## **CHAIRMAN'S STATEMENT**

### **Board**

There have been no changes in the board since the last annual general meeting. I am very pleased with the support I have from all the board; both executive and non-executive.

### **Broker**

I am delighted to announce the appointment of Brewin Dolphin Securities Limited as brokers to the Group. Brewin Dolphin have considerable expertise in the quoted sector and have a substantial array of private and institutional clients. They will be carrying out research for the company and will work with us on investor relations.

### **Staff**

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

### **Looking forward**

The company has many strengths; sound finances, clear and proven strategy, good management and committed staff. It plans to continue the successful expansion in the growing market for Home Collected Credit. Demand for credit from both existing and new customers remains strong as they continue to value the convenient, quick and straightforward service in their homes. The provision of motor car hire purchase finance by Advantage through carefully targeted underwriting gives an added and growing opportunity for expansion and profit. The Board is confident that the company can meet all the challenges of the new financial year and can continue to improve its performance.

**Derek M. Coombs**

*Chairman*

14 April 2000

## MANAGING DIRECTOR'S REPORT

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A year ago, I committed myself to "significant improvements in company profitability and market value in the future". This year's financial results lay the foundation for that and reflect and underline a sea-change in both the productivity, underlying profitability and growth potential of the Group. The current rate of growth and quality of debt in our home collected business, the excellent first year performance of Advantage, our new car finance subsidiary, and a turnaround in profitability of our small hosiery business, all point to the most encouraging prospects in profitability and shareholder value at S & U for many years.

### Operating results

	Year ended		6 months ended		6 months ended	
	31 January 2000	31 January 1999	31 January 2000	31 January 1999	31 July 2000	31 July 1999
	£m	£m	£m	£m	£m	£m
<b>Turnover</b>	<b>68.5</b>	64.8	<b>37.4</b>	34.4	<b>31.1</b>	30.4
<b>Gross profit</b>	<b>23.3</b>	21.7	<b>12.7</b>	11.1	<b>10.6</b>	10.6
Operating expenses	<b>(13.9)</b>	(12.8)	<b>(7.4)</b>	(6.5)	<b>(6.5)</b>	(6.3)
Doubtful debt	<b>(3.2)</b>	(2.8)	<b>(1.7)</b>	(1.3)	<b>(1.5)</b>	(1.5)
<b>Operating profit</b>	<b>6.2</b>	6.1	<b>3.6</b>	3.3	<b>2.6</b>	2.8
Interest	<b>(0.2)</b>	(0.2)	<b>(0.1)</b>	(0.1)	<b>(0.1)</b>	(0.1)
<b>Profit before taxation</b>	<b>6.0</b>	5.9	<b>3.5</b>	3.2	<b>2.5</b>	2.7

### Home collected credit

The home collected credit division has produced profits up £120,000 on last year. Sales growth met targets in all three companies. As I forecast, the best sales growth was achieved by our Southern operation, although one-off reorganisational costs and the start up expense of representative and branch expansion held back profits growth.

Our Northern subsidiaries together showed increases in profit and levels of bad debt significantly better than last year. Current trading confirms my view that the home collected division will accelerate its rate of growth in both sales and profitability this year.

The quality of the company's book debt continues to be good, and both our historic and anticipated bad debt provisions out-perform our major competitors. This underlines the importance of our focus upon a niche market of better off and more aspirational customers within our traditional social economic groups, and of investing in the training and development of committed full time Representatives. In addition, we continue to streamline our product range; improving value to the customer and broadening its appeal through better marketing, whilst improving gross margins.

Notwithstanding a rigorous write-off policy, current home collected book debt, after both provisions and deferrals, now stands at just over £33m, its highest level ever. As I anticipated a year ago, the bulk of this increase in book debt has been in the South of England where the Group is under represented, and where real incomes are highest. Our new branch in Ipswich is now fully operational and has been augmented by the purchase of Stamford Supplies, a well established local credit business. Further acquisitions are anticipated this year which will complement the opening of additional outlets in the South.

## MANAGING DIRECTOR'S REPORT

Equally pleasing has been the improvement in results of our North East subsidiary which necessitated a one-off recognition of bad and doubtful debt last year. This year has seen an improvement in profit, and a reduction in bad debt which have provided the base for significantly improved current trading. S D Taylor, our North West subsidiary, has again produced an improvement in profit and sales, and operates at a very high level.

### A E Holt (Leicester) Limited

A sustained and significant improvement in sales, and tight cost control, has seen a return to profit in the current year. Unlike many in the textile sector, Holt's order books are excellent and its margins healthy. Plans are being made for co-operation with an integrated hosiery and machinery manufacturer in India which will lower the cost of volume production, whilst retaining the flexibility, close-to-market design and production of our facilities in Leicester. I anticipate that this year, Holt's profits will again move towards the return on capital achieved in the rest of the Group.

### Advantage Finance

Our new car finance subsidiary is rapidly justifying the "high expectations" we had of it in our Interim Report of July. After just 7 months of trading, it is both in profit and ahead of business plan. Its receivables book at year end reached £5.5m, representing nearly 1,400 customers. I anticipate that both these figures will more than treble by the end of the company's second year of trading.

A very professional team is headquartered in Grimsby. It is led by management with many years of experience in the HP car finance industry, and serviced by Area Sales Managers in close liaison with car sales outlets throughout the country. I am very impressed both with the expertise of our employees at Advantage and with the sensible and conservative approach they take to new business, thus ensuring future debt quality.

The development of Advantage has made demands on S & U's investment resources. Our previously low levels of gearing have enabled medium term funding for a significant investment in Advantage to be secured. This new investment will significantly enhance Group profitability in the near future.

### Profit, dividend and earnings per share

	Year ended		6 months ended		6 months ended	
	31 January 2000 £m	31 January 1999 £m	31 January 2000 £m	31 January 1999 £m	31 July 2000 £m	31 July 1999 £m
Profit before tax	6.0	5.9	3.5	3.2	2.5	2.7
Profit after tax	4.2	4.1	2.4	2.2	1.8	1.9
Earnings per share	34.9p	33.3p	20.6p	18.0p	14.3p	15.3p
Dividends per share	21.0p	20.0p	16.0p	15.0p	5.0p	5.0p

Earnings per share have increased by 1.6p for the full year against an increase of 1.3p last year. Our investment in Advantage Finance, and in home collected book debt, will improve the group's return on shareholders' funds this year. This trend and further profits growth anticipated from current trading lead your Board to recommend an increased final dividend of 16p per Ordinary Share.

### Capital structure, liquidity and treasury

Although we will continue to invest in both our home collected and car finance businesses, both our borrowing and gearing are, and will remain, conservative by both standards in the financial sector and in absolute terms. S & U's net assets have risen by £1.63m (6.2%) this year compared to £1.56m (6.3%) a year ago, and demonstrates the continued strength of the company's financial position. Group gearing now stands at 36% and future investment and interest payments are comfortably accommodated within the company's Business Plan.

### The Future

Last year I stated that "recent changes provide a structure for accelerated growth and profitability in your company over the next decade"; the last year has seen satisfactory progress in achieving that accelerated growth in profitability and shareholder value.

Nonetheless, the revitalisation of the company proceeds apace; current and future initiatives include:

- Joint venture arrangements with other consumer finance and insurance based companies which will increase our customer reach.
- Our training initiatives will continue to be developed towards an "Investors In People" qualification.
- We will develop Loansathome.co.uk. our S & U consumer website. The potential of the internet for communicating with our existing customers and accessing new ones is enormous. We plan to provide finance and credit card facilities through the internet for future customers.
- We will continue to streamline our product range, and improve service for our customers through better, IT focused, marketing.
- The appointment of Brewin Dolphin Securities Limited as our brokers will improve our communications with the private investing community.

We will continue to target and acquire appropriate businesses both in the home collected and car finance fields.

### Conclusion

The development and refocusing of S & U in the past two years means that prospects for growth in turnover and profits are now more exciting than for many years. Forecasts must remain the province of our brokers, but S & U's recently improved stock market performance, particularly compared to our peers, is hopeful evidence of a more realistic valuation of the quality of our earnings and of our growth prospects. This would be both timely and fully justified. Notwithstanding this, with the continued support of our Board, our excellent management team and staff, and most of all our loyal customers, I confidently expect significant improvements in the value of S & U in the year ahead.

**Anthony M. V. Coombs**

*Managing Director*

## DIRECTORS

**Derek M. Coombs**  
(Chairman)

Chairman since 1975. Managing Director 1975 to April 1999. Former Member of Parliament. Chairman, Prospect Publishing Limited. Political journalist. Non-executive director, Metalrax Group Plc

**Anthony M. V. Coombs MA (Oxon)**  
(Managing Director)

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 Public Relations Committee of the Consumer Credit Association and is a director of a number of companies and charities including the Birmingham Royal Ballet Trust Board.

**Graham D. C. Coombs MA (Oxon), MSc (Lon)**

Joined S & U plc after graduating from London Business School in 1976. He is responsible for the Group's subsidiaries, Wilson Topholme Limited and S D Taylor Limited and for property matters.

**Robert E. J. Fisher FCA**  
(Finance Director)

A Chartered Accountant, who spent seven years with KPMG in London, seven years in industry and commerce, five years in merchant banking, and since 1974 has been a director with S & U.

Key responsibilities include finance, administration and compliance.

**Mark F. Hepplewhite LLB (Hons) FCA**  
(Non-executive)  
Born 13.3.61

A law graduate and a Chartered Accountant by profession. He is contracted to act as Finance Director for a substantial group of property companies where he specialises in corporate tax matters.

**Demetrios Markou MBE FCA**  
(Non-executive)  
Born 7.2.44

A Chartered Accountant with over 30 years experience in public practice in Birmingham. He has extensive commercial and political experience.

**Keith R. Smith**  
(Non-executive)  
Born 12.5.38

A member of The Stock Exchange and a principal in stockbroking firms for more than 30 years. He has also been a director of a number of public and private companies and is currently a director of Nabarro Wells, corporate financiers.

## DIRECTORS' REPORT

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The directors present their annual report and the audited financial statements for the year ended 31 January 2000.

### Activities

The principal activity of the group is consumer credit and car finance. These include financial services, hire purchase and sales of electrical and household merchandise throughout England, Wales and Scotland. The group also manufactures hosiery, primarily for export.

### Review of developments and future prospects

A review of developments during the year and future prospects is given in the chairman's statement on pages 4 and 5 and the managing director's report on pages 6 to 8.

### Results and dividends

The group's profit on ordinary activities after taxation was £4,249,000 (1999 – £4,056,000). Dividends of £2,619,000 (1999 – £2,498,000) were paid and proposed during the year, leaving retained profits of £1,630,000 (1999 – £1,558,000) to be transferred to reserves.

The directors recommend a final dividend, subject to shareholders approval of 16.0p per share (1999 – 15.0p). This, together with the interim dividend of 5.0p per share (1999 – 5.0p) paid during the year, makes a total dividend for the year of 21.0p per share (1999 – 20.0p).

### Year 2000

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.

### Directors and their interests

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

	At 31 January 2000		At 31 January 1999 (or date of appointment)	
	31.5% Preference shares	Ordinary shares	31.5% Preference shares	Ordinary shares
D. M. Coombs	70,000	2,056,241	70,000	2,024,741
A. M. V. Coombs	–	538,110	–	538,110
G. D. C. Coombs	–	565,310	–	565,310
R. E. J. Fisher	2,000	16,940	2,000	16,940
M. F. Hepplewhite	–	7,000	–	–

## DIRECTORS' REPORT

In addition, Mr D. M. Coombs has a non-beneficial interest in 400,000 (1999 – 400,000) Ordinary shares. Messrs D. Markou and K. R. Smith have no interests in the company's shares. 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 2000 and 14 April 2000.

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 2000 (1999 – 248,048).

The directors had no interests in the company's 6% (formerly 4.2%) Cumulative Preference shares or in the shares of its subsidiaries.

In accordance with the Companies Articles of Association Messrs G. D. C. Coombs, A. M. V. Coombs and K. R. Smith retire by rotation and, being eligible, offer themselves for re-election.

Except as stated in note 24, no director had any interest in any material contract during the year relating to the business of the group.

### Substantial shareholdings

At 14 April 2000, 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	20.62
C. K. Coombs	1,621,501	13.82
Pierrette Limited	385,687	3.29

### 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 and procedures have been developed to keep employees informed of the progress of the business.

### Political and charitable contributions

During the year the company and the group made charitable contributions of £4,434 (1999 – £1,395). No political contributions were made.

## DIRECTORS' REPORT

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### Creditor payment policy

The group and the company do not follow any published code of practice but agree terms and conditions with 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 2000 were 43 days (1999 – 48 days), and trade creditor days for the company were 48 days (1999 – 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 were appointed the company's auditors at the last Annual General Meeting. Deloitte & Touche 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*

  
**E. D. Maiden**  
Secretary

14 April 2000

## REPORT OF THE BOARD TO THE SHAREHOLDERS ON REMUNERATION POLICY

### Remuneration policy

Three non-executive directors, Messrs M. F. Hepplewhite, D. Markou and K. R. Smith, form the remuneration committee, which has the responsibility for recommending company policy on executive directors' remuneration to the Board.

The company's policy on remuneration structure is as follows:

- (a) Basic salaries are considered in relation to comparable positions in the financial sector and are reviewed annually.
- (b) Taxable benefits in kind in the main include a company car plus related expenses and medical insurance.
- (c) The company does not operate share option or similar long-term incentive schemes.

### Directors' pension arrangements

The company makes contributions to a defined contribution pension scheme in respect of Mr R. E. J. Fisher, but makes no contributions in respect of any other director. None of the directors has any accrued benefit under the defined benefit scheme described in note 23.

### Directors' contracts

Mr A. M. V. Coombs and Mr G. D. C. Coombs have been granted service contracts with an initial fixed term of two and a half years, terminable with twelve months notice after the first eighteen months.

Mr R. E. J. Fisher has a service contract up to 12 March 2003, which is terminable by him on six months notice. The directors believe this arrangement to be appropriate because it was agreed several years ago and in competitive circumstances, it improves balance on the board, and there are no plans to alter the arrangement at this time. In the long term, the company intends that such contracts be phased out.

No other director has a service contract with a notice period of more than twelve months.

Executive directors' service contracts will be available for inspection at the Annual General Meeting.

### Non-executive directors

Remuneration of non-executive directors is a matter for the Board to determine. It is company policy that non-executive directors are not granted service contracts.

### Details of directors' remuneration

This report should be read in conjunction with note 3 to the accounts, which also constitutes part of this report, giving full details of the amounts in the remuneration package of each director.

*By order of the Board of Directors*

**D. M. Coombs**  
*Chairman*

## CORPORATE GOVERNANCE

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In June 1998 the Combined Code was issued by the London Stock Exchange. The Code is based on the report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code provisions which consolidate the work of the earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

A narrative statement on how the company has applied the Principles 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 Principles of Good Governance, which are split into the four areas described below. The company has progressively moved towards the full appliance of these principles during the year and the current position is described below.

#### Directors

The company is controlled through the Board of Directors which comprises four executive and three independent non-executive directors. As 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's responsibilities focus on co-ordinating the company's business and implementing Group strategy. The Chairman and Managing Director are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets at least quarterly 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 has established an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. As the Board is small, it is not intended to form a separate nomination committee. The Board as a whole deals with such matters formally. 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.

The Audit Committee and the Remuneration Committee are composed of the three non-executive directors, Messrs M. F. Hepplewhite, D. Markou and K. R. Smith. Chairmen of these committees are appointed from among the members.

All three non-executive directors are considered to be independent of the management of the company. The Board has designated Mr K. R. Smith as senior independent director.

### **Directors' remuneration**

The Remuneration Committee measures the performance of the executive directors and key members of senior management as a prelude to recommending their remuneration to the Board for final determination. The Committee meets as necessary and on at least two occasions per annum. From 1 February 1999 to 21 April 1999, this role was played by the Board itself as there was no remuneration committee. The remuneration of the non-executive directors is recommended by the executive directors and takes account of the time spent on Committee matters. The final determinations will be made by the Board as a whole but no director plays a part in any discussion about his own remuneration. The Committee consults the Chairman and the Managing Director about its proposals and has access to professional advice from inside and outside the company. The Report of the Board to the Shareholders on Directors' Remuneration is set out on page 13.

### **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 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.

### **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 4 to 12, 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 18.

#### ***Internal Financial Control***

The directors are responsible for the group's system of internal financial control. Such a system can provide only reasonable, but not absolute assurance against material misstatement or loss. The key control procedures are described under the following headings.

- **Financial reporting**  
The group has a comprehensive system for reporting financial results to the Board; each operating unit prepares monthly results with comparisons. The Board reviews these for the group as a whole and determines appropriate action. Towards the end of each financial year the operating units prepare budgets for the following year. Budgets are reviewed by the Board before being adopted formally.
- **Operating unit financial controls**  
The executive management has defined the financial controls and procedures with which each operating unit is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major business risks and the extent to which these risks are controlled. These management assessments are checked by our internal audit procedures. The reports arising from such visits are given to both the executive and unit management and the Audit Committee.
- **Computer systems**  
Much of the group's financial and management information is processed by and stored on computer systems. Accordingly, the group has established controls and procedures over the security of data held on computer systems. Also, the group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of any part of the group's own data processing facility.

## CORPORATE GOVERNANCE

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The Board has concluded for the year ended 31 January 2000 an annual review of the effectiveness of the system of internal financial control and has taken account of material developments that have taken place since the end of that year. This review was performed on the basis of the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting" issued in December 1994. It has considered the major business and financial risks, the control environment and information on, and arising from control procedures.

### ***Relationship with Auditors***

The audit committee, and on a separate occasion, the Board as a whole, has met with the auditors to discuss improvements which might be made to the group's accounting policies and financial reporting. These changes are reflected in these financial statements.

The Audit Committee, comprising the non-executive directors, has specific terms of reference which deal with its authority and duties. It meets at least twice a year with the external auditors attending by invitation. The Committee oversees the monitoring of the adequacy of the group's internal controls, accounting policies and financial reporting and provides a forum through which the group's external auditors and internal audit function report to the non-executive directors.

### ***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. This statement also forms part of the Directors Report.

## CORPORATE GOVERNANCE

### COMPLIANCE STATEMENT

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Except for the exceptions detailed below, the company has complied throughout the accounting period ended 31 January 2000 with the provisions set out in Section 1 of the Code.

#### **Non-executive directors**

During the period from 1 February 1999 to 21 April 1999, the company had no non-executive directors. This breaches provisions A3.1 and A3.2 of the Code, and this lack of non-executive directors also means that the following provisions could not be complied with:

- Establishment of a remuneration committee (B2.1, B2.2)
- Establishment of an audit committee (D3.1, D3.2)

On 21 April 1999, three non-executive directors, Messrs Hepplewhite, Markou and Smith were appointed. Prior to that the company was searching for suitable candidates. Following their appointment, audit and remuneration committees were set up. It is not the company's intention to set up a nomination committee, but the relevant provision of the Combined Code (A 5.1) does not apply where the board is small.

#### **Division of responsibilities**

During the period from 1 February 1999 to 21 April 1999, one director held the roles of Managing Director and (sole) Chairman, breaching provision A2.1 of the Combined Code, pending selection.

This arrangement ceased with effect from 21 April 1999, when the two roles were split, and it is intended that this division should be permanent.

#### **Performance related remuneration**

The remuneration arrangements of the directors do not include a performance related element, which breaches provision B1.4 of the Combined Code. However the company feels that given the substantial shareholdings of the majority of the executive directors, their interests are already sufficiently aligned with those of the shareholders without the need for performance related incentive schemes.

As permitted by the London Stock Exchange, the company has complied with Code Provision D2.1 on Internal Control by reporting on internal financial control in accordance with the guidance on internal control and financial reporting that was issued in December 1994, covering the financial year and the period until the financial statements were approved by the Board.

The group has adopted the transitional approach for the internal control aspects of the Combined Code as set out in the letter from the London Stock Exchange to listed companies dated 27 September 1999. Procedures will be established by 31 January 2001 which will enable the Board to implement the 1999 Guidance, and to report on the wider aspects of internal control from 31 January 2001.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed

The directors confirm that they have met the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*By order of the Board*

**E. D. Maiden**  
*Secretary*

## REPORT OF THE AUDITORS

### TO THE MEMBERS OF S & U PLC

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We have audited the financial statements on pages 20 to 38 which have been prepared under the accounting policies set out on pages 26 and 27.

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 18 the financial statements. Our responsibilities, as independent auditors are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement on page 17 reflects the group's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all the 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, including the corporate governance statement, 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.

#### Basis of opinion

We conducted our audit in accordance with Auditing Standards 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 January 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors  
Birmingham

14 April 2000

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 January 2000

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	Note	2000 £'000	1999 £'000
<b>Turnover</b>	2	<b>68,535</b>	64,833
Cost of sales		<b>(45,270)</b>	(43,096)
Gross profit		<b>23,265</b>	21,737
Administrative expenses		<b>(13,893)</b>	(12,865)
Provision for doubtful debt		<b>(3,184)</b>	(2,806)
<b>Operating profit</b>	5	<b>6,188</b>	6,066
Net interest payable	6	<b>(181)</b>	(214)
<b>Profit on ordinary activities before taxation</b>		<b>6,007</b>	5,852
Tax on profit on ordinary activities	7	<b>(1,758)</b>	(1,796)
<b>Profit on ordinary activities after taxation being profit for the financial year</b>		<b>4,249</b>	4,056
Dividends paid and proposed – including amounts in respect of non equity shares	9	<b>(2,619)</b>	(2,498)
<b>Retained profit for the financial year</b>		<b>1,630</b>	1,558
<b>Earnings per Ordinary share</b>	10	<b>34.9p</b>	33.3p
<b>Dividends per Ordinary share</b>	9	<b>21.0p</b>	20.0p

There have been no recognised gains or losses other than the profit for the current and preceding years.

All activities derive from continuing operations.

**STATEMENT OF MOVEMENT ON RESERVES**  
for the year ended 31 January 2000

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
<b>The Group</b>				
Balance at 1 February 1999	2,136	631	21,289	24,056
Transfer of depreciation on freehold properties	–	(2)	2	–
Retained profit for the financial year	–	–	1,630	1,630
<b>Balance at 31 January 2000</b>	<b>2,136</b>	<b>629</b>	<b>22,921</b>	<b>25,686</b>
<b>The Company</b>				
Balance at 1 February 1999	2,136	44	9,440	11,620
Transfer of depreciation on freehold properties	–	(1)	1	–
Retained profit for the financial year	–	–	612	612
<b>Balance at 31 January 2000</b>	<b>2,136</b>	<b>43</b>	<b>10,053</b>	<b>12,232</b>

**CONSOLIDATED BALANCE SHEET**  
31 January 2000

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	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	11	<b>2,980</b>	2,891
<b>Current assets</b>			
Amounts receivable from customers (including £3,788,000 falling due after one year (1999: nil))	13	<b>38,471</b>	30,629
Stocks	14	<b>476</b>	422
Debtors	15	<b>1,023</b>	671
Cash at bank and in hand		<b>82</b>	1
		<b>40,052</b>	31,723
<b>Creditors: amounts falling due within one year</b>	16	<b>(15,229)</b>	(8,441)
<b>Net current assets</b>		<b>24,823</b>	23,282
<b>Total net assets</b>		<b>27,803</b>	26,173
<b>Capital and reserves</b>			
Called up share capital	17	<b>2,117</b>	2,117
Share premium account		<b>2,136</b>	2,136
Revaluation reserve		<b>629</b>	631
Profit and loss account		<b>22,921</b>	21,289
<b>Total shareholders' funds</b>		<b>27,803</b>	26,173
Attributable to equity shareholders		<b>27,153</b>	25,523
Attributable to non-equity shareholders		<b>650</b>	650
		<b>27,803</b>	26,173

These financial statements were approved by the Board of Directors on 14 April 2000

Signed on behalf of the Board of Directors

D. M. Coombs

A. M. V. Coombs

} *[Handwritten signatures]*  
Directors

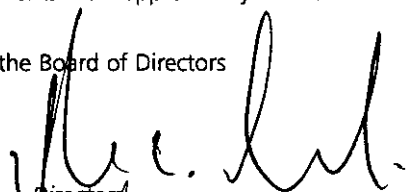
**COMPANY BALANCE SHEET**  
31 January 2000

	Note	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	11	1,041	1,114
Investments	12	2,893	2,892
		<u>3,934</u>	<u>4,006</u>
<b>Current assets</b>			
Amounts receivable from customers	13	13,342	11,517
Stocks	14	52	77
Debtors	15	3,103	3,140
Cash at bank and in hand		3	-
		<u>16,500</u>	<u>14,734</u>
<b>Creditors: amounts falling due within one year</b>	16	<b>(6,085)</b>	<b>(5,003)</b>
		<u>10,415</u>	<u>9,731</u>
<b>Net current assets</b>		<b>10,415</b>	<b>9,731</b>
		<u>14,349</u>	<u>13,737</u>
<b>Total net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	17	2,117	2,117
Share premium account		2,136	2,136
Revaluation reserve		43	44
Profit and loss account		10,053	9,440
		<u>14,349</u>	<u>13,737</u>
<b>Total shareholders' funds</b>		<b>14,349</b>	<b>13,737</b>
		<u>13,699</u>	<u>13,087</u>
Attributable to equity shareholders		13,699	13,087
Attributable to non-equity shareholders		650	650
		<u>14,349</u>	<u>13,737</u>


These financial statements were approved by the Board of Directors on 14 April 2000

Signed on behalf of the Board of Directors

D. M. Coombs



Directors



A. M. V. Coombs

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 January 2000

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	Note	2000		1999	
		£'000	£'000	£'000	£'000
<b>Cash flow from operating activities</b>	19		(956)		3,933
<b>Returns on investments and servicing of finance</b>					
Interest received		55		13	
Interest paid		(236)		(227)	
Preference dividends paid		(77)		(150)	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(258)		(364)
<b>Taxation</b>			(965)		(1,920)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(760)		(633)	
Proceeds of sale of fixed assets		58		66	
		<hr/>		<hr/>	
<b>Net cash outflow for capital expenditure and financial investment</b>			(702)		(567)
<b>Equity dividends paid</b>			(2,339)		(2,289)
		<hr/>		<hr/>	
<b>Decrease in cash in the year</b>			(5,220)		(1,207)
		<hr/>		<hr/>	

**Reconciliation of net cash flow to movement in net debt**

	2000	1999
	£'000	£'000
<b>Decrease in cash in the year</b>	(5,220)	(1,207)
	<hr/>	<hr/>
<b>Movement in net funds in the year</b>	(5,220)	(1,207)
<b>Net debt at 1 February 1999</b>	(4,721)	(3,514)
	<hr/>	<hr/>
<b>Net debt at 31 January 2000</b>	(9,941)	(4,721)
	<hr/>	<hr/>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
for the year ended 31 January 2000

	2000	1999
	£'000	£'000
Profit on ordinary activities before taxation	6,007	5,852
Difference between historical cost depreciation charge and actual depreciation charge on the revalued amount	2	(56)
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	6,009	5,796
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	1,632	1,502
	<hr/>	<hr/>

**RECONCILIATION OF MOVEMENTS IN  
CONSOLIDATED SHAREHOLDERS' FUNDS**  
Year ended 31 January 2000

	2000	1999
	£'000	£'000
Profit for the financial year	4,249	4,056
Dividends	(2,619)	(2,498)
	<hr/>	<hr/>
Net addition to shareholders' funds	1,630	1,558
Opening shareholders' funds:	26,173	24,615
	<hr/>	<hr/>
Closing shareholders' funds	27,803	26,173
	<hr/>	<hr/>
Attributable to 6% (formerly 4.2%) Cumulative Preference shareholders	200	200
Attributable to 31.5% Cumulative Preference shareholders	450	450
	<hr/>	<hr/>
Total attributable to non-equity interests	650	650
Attributable to equity interests	27,153	25,523
	<hr/>	<hr/>
	27,803	26,173
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS

for the year ended 31 January 2000

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### 1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. All of these companies have the same year end date as the group.

#### Turnover

Turnover is exclusive of value added tax and comprises:

● Home collected instalment credit agreements	Gross amount received or receivable, including the principal sum advanced less deferred revenue.
● Monthly instalment credit agreements (consumer credit)	Gross amount received or receivable, including the principal sum advanced less deferred revenue.
● Monthly instalment credit agreements (car finance)	Interest received or receivable.
● Hire purchase agreements	Gross amount received or receivable, less deferred revenue.
● Goods and services	Gross amounts of goods and services supplied.
● Insurance	Net commission received and receivable on premiums paid by customers.

On instalment credit agreements, with the exception of car finance, cost of sales represents the principal sums advanced.

#### Tangible fixed assets

Depreciation is provided on the cost or valuation of tangible fixed assets in order to write off such cost or valuation over the expected useful lives as follows:

Freehold buildings	1% per annum straight line
Computers	20% per annum straight line
Fixtures, fittings and plant	10% to 20% per annum on reducing balance
Motor vehicles	25% per annum on reducing balance

No depreciation is provided on freehold land.

#### Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

#### Debtors

Bad debts are written off and a specific reserve is made on all debts which are considered doubtful.

#### Deferred revenue

Deferred revenue comprises that part of the gross profit on customer accounts at the year end which had not been earned at the balance sheet date.

#### Stocks

Stocks are stated at the lower of cost and net realisable value. The cost of manufactured goods includes materials, direct labour, and a proportion of production overheads appropriate to the relevant stage of production.

## 1. Accounting policies (continued)

### Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

### Goodwill

All goodwill has been written off to reserves in the year in which it arose as a matter of accounting policy. If any of the businesses on which goodwill arose on acquisition was to be sold, then the goodwill attributable to that business would have to be taken in to consideration in calculating the profit or loss on disposal.

Any goodwill which arises on future acquisitions will be capitalised and amortised over its useful life in accordance with the requirements of FRS 10 "Goodwill and intangible assets".

### Pensions

The company's contributions to its defined benefit pension scheme are expensed in order to allocate the cost of providing the pensions, recognising any actuarial surplus or deficiency (where applicable), over the working lives of the relevant employees. The company also operates a defined contribution pension scheme and the pension charge represents the amount payable by the company for the financial year.

### Leases

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

## 2. ANALYSES OF TURNOVER, OPERATING PROFIT / (LOSS) AND NET ASSETS

All operations are situated in the United Kingdom. Analyses by class of business of turnover, operating profit and net assets are stated below:

Class of business	Turnover		Operating profit / (loss)		Net assets	
	2000	1999	2000	1999	2000	1999
	£000	£000	£000	£000	£000	£000
Consumer credit, rentals and other retail trading	65,976	63,745	6,278	6,159	27,546	25,964
Car finance	1,239	-	(151)	-	(150)	-
Manufacturing	1,320	1,088	61	(93)	407	209
	<b>68,535</b>	<b>64,833</b>	<b>6,188</b>	<b>6,066</b>	<b>27,803</b>	<b>26,173</b>

### Geographical analysis by destination

	Turnover	
	2000	1999
	£000	£000
United Kingdom	67,237	63,755
Other European countries	1,298	1,078
	<b>68,535</b>	<b>64,833</b>

## NOTES TO THE ACCOUNTS

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### 3. Directors' emoluments

	Salaries and fees £000	Annual bonuses £000	Benefits in kind £000	Total 2000 £000	Total 1999 £000
<b>Executive directors</b>					
D. M. Coombs	170	-	24	194	179
A. M. V. Coombs	135	-	5	140	112
G. D. C. Coombs	120	-	7	127	127
R. E. J. Fisher	100	-	7	107	101
C. K. Coombs	-	-	-	-	61
T. J. Ambler	-	-	-	-	2
<b>Non-executive directors</b>					
M. F. Hepplewhite	8	-	-	8	-
D. Markou	8	-	-	8	-
K. R. Smith	8	-	-	8	-
K. J. Baddeley	-	-	-	-	4
<b>2000 Total</b>	<b>549</b>	<b>-</b>	<b>43</b>	<b>592</b>	<b>586</b>
<b>1999 Total</b>	<b>548</b>	<b>-</b>	<b>38</b>	<b>586</b>	

The benefits in kind received by the directors comprise principally the provision of a company car and medical benefits.

During the year the company made pension contributions of £20,000 (1999 – £12,000) to a money purchase pension scheme for one director, Mr R. E. J. Fisher (1999 – one director).

### 4. Information regarding employees

	2000 No	1999 No
The average number of persons employed by the group in the year was:		
Consumer credit, rentals and other retail trading	318	334
Car finance	29	-
Manufacturing	27	24
	<b>374</b>	<b>358</b>
<b>Staff costs incurred in respect of these employees were:</b>		
Wages and salaries	6,195	5,570
Social security costs	603	517
Other pension costs	47	19
	<b>6,845</b>	<b>6,106</b>

## 5. Operating profit

	2000 £000	1999 £000
<b>Operating profit is after charging/(crediting):</b>		
Depreciation and amortisation:		
Owned assets	595	548
Rentals under operating leases:		
Hire of plant and machinery	3	11
Other operating leases	202	178
Auditors' remuneration:		
Group audit fees	55	36
Other services	26	-
Loss on sale of fixed assets	18	6
Rentals received/receivable under operating leases	<u>(268)</u>	<u>(289)</u>

The audit fee for the company was £25,000 (1999 – £20,000).

## 6. Net interest payable

	2000 £000	1999 £000
Bank overdraft	<u>236</u>	<u>227</u>
Interest payable and similar charges	236	227
Interest receivable	<u>(55)</u>	<u>(13)</u>
	<u>181</u>	<u>214</u>

## 7. Tax on profit on ordinary activities

	2000 £000	1999 £000
Corporation tax at 31% (1999 – 31%) based on the profit for the year	1,888	1,821
Adjustments to prior years' tax provisions		
Corporation tax	<u>(130)</u>	<u>(25)</u>
	<u>1,758</u>	<u>1,796</u>

The total amount of potential deferred tax unprovided at 31 January 2000 was £47,000 (1999 – £7,000).

## 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 £3,231,000 (1999 – £3,030,000).

## NOTES TO THE ACCOUNTS

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### 9. Dividends

	2000 £000	1999 £000
Interim paid – 5.0p per Ordinary share (1999 – 5p)	587	587
Final proposed – 16.0p per Ordinary share (1999 – 15p)	1,879	1,761
Ordinary dividends on equity shares	<u>2,466</u>	<u>2,348</u>
31.5% Cumulative Preference dividend	142	142
6% (formerly 4.2%) Cumulative Preference dividend	11	8
Preference dividends on non-equity shares	<u>153</u>	<u>150</u>
Total dividends paid and proposed	<u>2,619</u>	<u>2,498</u>

### 10. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £4,249,000 (1999 – £4,056,000) from which is deducted Preference dividends of £153,000 (1999 – £150,000) giving earnings of £4,096,000 (1999 – £3,906,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (1999 – 11,737,228). There are no dilutive shares.

### 11. Tangible fixed assets

The Group	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 February 1999	1,279	4,690	983	6,952
Additions	6	614	140	760
Disposals	–	(508)	(110)	(618)
At 31 January 2000	<u>1,285</u>	<u>4,796</u>	<u>1,013</u>	<u>7,094</u>
Accumulated depreciation				
At 1 February 1999	170	3,194	697	4,061
Charge for the year	10	498	87	595
Disposals	–	(433)	(109)	(542)
At 31 January 2000	<u>180</u>	<u>3,259</u>	<u>675</u>	<u>4,114</u>
Net book value				
At 31 January 2000	<u>1,105</u>	<u>1,537</u>	<u>338</u>	<u>2,980</u>
At 31 January 1999	<u>1,109</u>	<u>1,496</u>	<u>286</u>	<u>2,891</u>

## 11. Tangible fixed assets (continued)

Comparable amounts determined according to the historical cost convention:

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Total £000
<b>The Group</b>				
Cost	564	4,796	1,013	6,373
Accumulated depreciation	88	3,259	675	4,022
<b>Net book value</b>				
At 31 January 2000	<u>476</u>	<u>1,537</u>	<u>338</u>	<u>2,351</u>
At 31 January 1999	<u>478</u>	<u>1,496</u>	<u>286</u>	<u>2,260</u>

Included in the above is land at a cost or valuation of £60,000 (1999 – £60,000) which is not depreciated.

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Total £000
<b>The Company</b>				
Cost or valuation				
At 1 February 1999	357	1,573	601	2,531
Additions	–	163	26	189
Disposals	–	(168)	(115)	(283)
At 31 January 2000	<u>357</u>	<u>1,568</u>	<u>512</u>	<u>2,437</u>
Accumulated depreciation				
At 1 February 1999	19	1,009	389	1,417
Charge for the year	4	173	51	228
Disposals	–	(135)	(114)	(249)
At 31 January 2000	<u>23</u>	<u>1,047</u>	<u>326</u>	<u>1,396</u>
<b>Net book value</b>				
At 31 January 2000	<u>334</u>	<u>521</u>	<u>186</u>	<u>1,041</u>
At 31 January 1999	<u>338</u>	<u>564</u>	<u>212</u>	<u>1,114</u>

Comparable amounts determined according to the historical cost convention:

Cost	306	1,568	512	2,386
Accumulated depreciation	15	1,048	326	1,389
<b>Net book value</b>				
At 31 January 2000	<u>291</u>	<u>520</u>	<u>186</u>	<u>997</u>
At 31 January 1999	<u>294</u>	<u>564</u>	<u>212</u>	<u>1,070</u>

Included in the above is land at a cost of £22,000 (1999 – £22,000) which is not depreciated.

## NOTES TO THE ACCOUNTS

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### 11. Tangible fixed assets (continued)

Freehold land and buildings at cost or valuation are stated:

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
At open market valuation for existing use in 1973	971	971	60	60
At cost	314	308	297	297
	<u>1,285</u>	<u>1,279</u>	<u>357</u>	<u>357</u>

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

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
	<u>442</u>	<u>622</u>	<u>181</u>	<u>290</u>

### 12. Investments

The Company	£000
<b>Shares in subsidiary companies</b>	
At 1 February 1999	2,892
Additions during the year	1
	<u>2,893</u>
At 31 January 2000	

#### 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. Advantage Finance Limited was incorporated during the year and commenced trading on 5 July 1999.

#### Subsidiary

S D Taylor Limited  
Wilson Topholme Limited  
Advantage Finance Limited  
A E Holt (Leicester) Limited

#### Principal activity

Consumer credit, rentals and other retail trading  
Consumer credit, rentals and other retail trading  
Car finance  
Manufacture of hosiery

**13. Amounts receivable from customers**

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Gross instalment credit receivables	49,826	39,380	16,446	15,107
Less: Provision for doubtful debt	(4,173)	(5,270)	(1,581)	(2,264)
Instalment credit receivables after provision	45,653	34,110	14,865	12,843
Less: Deferred revenue	(7,182)	(3,481)	(1,523)	(1,326)
	<u>38,471</u>	<u>30,629</u>	<u>13,342</u>	<u>11,517</u>
Amounts receivable under finance leases and hire purchase agreements included above	6,194	941	457	438
Value of assets acquired during the year to be leased under finance leases or hire purchase agreements	4,943	674	307	319
Rentals received during the year in respect of finance leases and hire purchase agreements	1,830	1,175	598	1,175

**14. Stocks**

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Raw materials	32	34	-	-
Work in progress	132	145	-	-
Finished goods and goods for resale	312	243	52	77
	<u>476</u>	<u>422</u>	<u>52</u>	<u>77</u>

**15. Debtors**

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	211	155	-	-
Amounts owed by subsidiary undertakings	-	-	2,676	2,813
Corporation tax recoverable	171	-	52	92
Other debtors	360	290	217	161
Prepayments and accrued income	281	226	158	74
	<u>1,023</u>	<u>671</u>	<u>3,103</u>	<u>3,140</u>

All the above amounts fall due within one year.

## NOTES TO THE ACCOUNTS

### 16. Creditors: amounts falling due within one year

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank overdrafts	10,023	4,722	1,259	710
Trade creditors	757	600	319	303
Amounts owed to group undertakings	–	–	1,721	1,655
Corporation tax	1,376	442	376	–
Other taxation and social security	238	232	119	142
Other creditors	476	379	277	302
Accruals and deferred income	404	314	59	139
Proposed dividend	1,955	1,752	1,955	1,752
	<b>15,229</b>	<b>8,441</b>	<b>6,085</b>	<b>5,003</b>

### 17. Called up share capital

	2000 £000	1999 £000
<b>Authorised</b>		
14,400,000 Ordinary shares of 12.5p each	1,800	1,800
200,000 6% (formerly 4.2%) Cumulative Preference shares of £1 each	200	200
3,600,756 31.5% Cumulative Preference shares of 12.5p each	450	450
	<b>2,450</b>	<b>2,450</b>
<b>Called up, allotted and fully paid</b>		
11,737,228 Ordinary shares of 12.5p each	1,467	1,467
200,000 6% (formerly 4.2%) Cumulative Preference shares of £1 each	200	200
3,600,756 31.5% Cumulative Preference shares of 12.5p each	450	450
	<b>2,117</b>	<b>2,117</b>

The 6% (formerly 4.2%) Cumulative Preference shares enable the holder to receive a cumulative preferential dividend at the rate of 6% (formerly 4.2%) on paid up capital and the right to a return of capital plus a premium of 10p per share at either a winding up or a repayment of capital.

The 31.5% Cumulative Preference shares entitle the holder to receive a cumulative preference dividend of 31.5% plus associated tax credit and the right to a return of capital plus a premium of 22.5p per share on either a winding up or a repayment of capital. The rights of the holders of these shares to dividends and returns of capital are subordinated to those of the holders of the 6% Cumulative Preference shares.

Following the abolition of Advance Corporation Tax with effect from 6 April 1999, the rate of dividend on the 6% (formerly 4.2%) Cumulative Preference shares increased to 6%, as these were issued before 6 April 1973. The 31.5% Cumulative Preference shares, which were issued after 1973, were unaffected.

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

## 18. Financial instruments

As a result of the introduction of "Financial Reporting Standard No.13 – Derivatives and Other Financial Instruments", we are now required to produce both a narrative explanation of the group's use of financial instruments and a table of the 'fair value' of the group's financial assets and liabilities.

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

The group'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.

During the year under review and up to the balance sheet date, the small borrowings compared with the shareholders funds meant that the gearing of the group was low, especially for a lending organisation. The group was making no use of derivatives of any nature. The small bank borrowing of the group was entirely by way of overdraft, and no hedging was undertaken.

The Board took the view that the low gearing and limited term of the group's lending made hedging costs inappropriate.

As at 31 January 2000 the group's indebtedness amounted to £10,023,000 (1999 – £4,722,000). The gearing was 37%, being calculated as interest bearing borrowings as a percentage of equity shareholders' funds.

Over the next year with the increase in business of the car finance business, the gearing is planned to increase and committed three year facilities have been negotiated in view of the longer lending periods involved. The board is mindful of the potentially increased interest rate risk and is monitoring rates with a view to taking hedging action if and when that appears to be appropriate.

The disclosures below exclude short term debtors and creditors.

	2000	1999
	£000	£000
<b>Sterling financial liabilities</b>		
Fixed rate	650	650
Floating rate (not hedged)	10,023	4,722
	<u>10,673</u>	<u>5,372</u>

The weighted average interest rate on fixed rate financial liabilities at 31 January 2000, being preference share capital having no maturity date, was 24% (1999 – 23%). The reference rate for floating rate financial liabilities is United Kingdom base rates.

There are no non interest bearing financial liabilities, or undrawn committed borrowing facilities.

	2000	1999
	£000	£000
<b>Sterling financial assets</b>		
Fixed rate	3,788	–
Non-interest bearing	82	1
	<u>3,780</u>	<u>1</u>

The weighted average interest rate on fixed rate financial assets at 31 January 2000 was 30.9%, with a weighted average period of 3 years for which the rate is fixed. Non interest bearing financial assets constitute cash in hand. There are no floating rate financial assets.

### Currency risk

The Group has no material exposure to foreign currency risk.

## NOTES TO THE ACCOUNTS

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### 18. Financial instruments (continued)

#### Liquidity risk

The maturity of the Group's financial liabilities at 31 January 2000 was as follows:

	2000 £000	1999 £000
In one year or less or on demand	10,023	4,722
In more than five years	650	650
	<u>10,673</u>	<u>5,372</u>

#### Fair values of financial assets and financial liabilities

	2000		1999	
	Book value £000	Fair value £000	Book value £000	Fair value £000
<b>Primary financial instruments:</b>				
Net indebtedness	(9,941)	(9,941)	(4,721)	(4,721)
Preference share capital	(650)	(2,096)	(650)	(2,208)
Amounts receivable from customers (falling due after more than one year)	3,788	2,780	-	-

The fair values of cash at bank and in hand and of bank overdrafts are not materially different from their book values.

The fair values of the preference share capital are based on the mid prices at the close of business of those instruments sourced from the Daily Official Lists for 31 January 2000 and 1999.

Amounts receivable from customers have been discounted at a rate commensurate with the credit, interest rate and prepayment risks inherent in the assets. For amounts receivable from customers due in less than one year, which have been excluded from the numerical disclosures above, a discounted cash flow calculation does not give a result materially different to the carrying value of the assets.

### 19. Reconciliation of operating profit to net cash flow from operating activities

	2000 £000	1999 £000
Operating profit	6,188	6,066
Depreciation	595	548
Loss on sale of fixed assets	18	10
(Increase)/decrease in stocks	(54)	30
Increase in amounts receivable from customers	(7,842)	(2,741)
(Increase)/decrease in debtors	(202)	160
Increase/(decrease) in creditors	341	(140)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(956)</u>	<u>3,933</u>

**20. Analysis of net debt**

	31 January 1999 £000	Cash flow £000	31 January 2000 £000
Cash at bank and in hand	1	81	82
Bank overdraft	(4,722)	(5,301)	(10,023)
	<u>(4,721)</u>	<u>(5,220)</u>	<u>(9,941)</u>

**21. Financial commitments**

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<b>Capital commitments</b>				
Contracted for but not provided	-	40	-	-
	<u>-</u>	<u>40</u>	<u>-</u>	<u>-</u>

**Operating lease commitments**

At 31 January 2000, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
<b>Land and buildings</b>				
Leases which expire:				
Within one year	23	17	21	17
Within two to five years	97	103	93	97
After five years	21	-	-	-
	<u>141</u>	<u>120</u>	<u>114</u>	<u>114</u>
<b>Other</b>				
Leases which expire:				
Within two to five years	2	2	-	-
After five years	2	2	-	-
	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

**22. 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 2000 was £7,812,000 (1999 – £3,210,000).

## NOTES TO THE ACCOUNTS

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### 23. Pension schemes

The company operates both defined benefit and defined contribution type pension schemes.

The assets of the S & U PLC defined benefit pension scheme are held under trust. The scheme is closed to new entrants. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 1998, using the attained age method. The following actuarial assumptions were applied:

Investment returns	8.5 % per annum.
Salary growth	6.9 % per annum.
Pension increases	4.3 % per annum in respect of post 5 April 1997 service and 0% per annum in respect of pre 6 April 1997 service.

At the last actuarial valuation date, the market value of the assets of the scheme was £1,453,000 and the actuarial value was sufficient to cover 105% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The surplus position produces a nil pension cost in the period and no further contributions from the company are foreseen. As a result of the surplus position, all benefits in the scheme were increased by 25% with effect from 1 April 1997.

### 24. Related party transactions

During part of the year, and the preceding year, a small part of the group's premises was used by Grewayne Properties Limited, a company of which Messrs A. M. V. Coombs and G. D. C. Coombs are directors and shareholders. One employee of this company performed certain services for S & U plc and one member of the group's staff performed services for Grewayne Properties Limited. No payment was either made or received in respect of these services. Grewayne Properties Limited moved out of the group's premises during the year.

### 25. Post balance sheet events

Subsequent to the year end, bank facility letters have been received offering the group a 3 year committed revolving facility for £5,000,000 with National Westminster Bank plc, and a further £5,000,000 facility with HSBC Bank plc. The reference rate for both facilities is either United Kingdom base rates or LIBOR, at the option of the company.

## FIVE YEAR FINANCIAL RECORD

	1996	1997	1998 (previously reported)	1998 (restated)	1999	2000
	£000	£000	£000	£000	£000	£000
Turnover	64,720	60,518	60,463	62,301	64,833	<b>68,535</b>
Operating profit	7,346	7,376	6,154	5,953	6,066	<b>6,188</b>
Profit on ordinary activities before taxation	7,023	7,128	7,022	6,821	5,852	<b>6,007</b>
Corporation tax	(2,436)	(2,363)	(1,907)	(1,907)	(1,796)	<b>(1,758)</b>
Profit after taxation	<u>4,587</u>	<u>4,765</u>	<u>5,115</u>	<u>4,914</u>	<u>4,056</u>	<u><b>4,249</b></u>
<b>Assets employed</b>						
Fixed assets	3,759	3,660	2,882	2,882	2,891	<b>2,980</b>
Current assets	27,574	29,571	31,897	29,684	31,723	<b>40,052</b>
	<u>31,333</u>	<u>33,231</u>	<u>34,779</u>	<u>32,566</u>	<u>34,614</u>	<u><b>43,032</b></u>
Creditors	(10,363)	(9,759)	(8,572)	(7,951)	(8,441)	<b>(15,229)</b>
Shareholders' funds	<u>20,970</u>	<u>23,472</u>	<u>26,207</u>	<u>24,615</u>	<u>26,173</u>	<u><b>27,803</b></u>
<b>Earnings per Ordinary share</b>	37.8p	39.3p	42.3p	40.6p	33.3p	<b>34.9p</b>
<b>Dividends per Ordinary share</b>	16.0p	18.0p	19.0p	19.0p	20.0p	<b>21.0p</b>
<b>Statistics</b>						
Operating profit as a percentage of turnover	10.9%	11.8%	11.6%	9.6%	9.4%	<b>9.0%</b>
Operating profit as a percentage of net assets	33.5%	30.4%	26.8%	24.2%	23.2%	<b>22.3%</b>
Net borrowings as a percentage of shareholders' funds	24.6%	18.6%	13.4%	14.9%	18.0%	<b>36.0%</b>

The results from 1996 to 1998 (as previously stated) are drawn up under the former accounting policy for deferred income, and turnover in these years is net of provision for doubtful debt. They are not, therefore, directly comparable to the figures for 1998 (restated) and thereafter.