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S&U PLC

ANNUAL REPORT

AND ACCOUNTS

2001

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

	2001 £000	2000 £000
BUSINESS TRANSACTED	86,482	72,810
TURNOVER	31,892	26,479
OPERATING PROFIT	8,449	6,188
PROFIT BEFORE TAXATION	7,620	6,007
EARNINGS PER ORDINARY SHARE	43.1p	34.9p
DIVIDEND PER ORDINARY SHARE	23.5p	21.0p

Financial Calendar

Annual General Meeting			12 June 2001
Announcement of results	Half year ending 31 July 2001 Year ending 31 January 2002		October 2001 April 2002
Payment of dividends	6% (formerly 4.2%) Cumulative Preference shares		30 September 2001 & 31 March 2002
	31.5% Cumulative Preference shares		31 July 2001 & 31 January 2002
	Ordinary shares	- 2001 Final - Record Date - Ex-dividend Date - 2002 Interim	2 July 2001 8 June 2001 6 June 2001 November 2001

Chairman's Statement

"Earnings per share rose from 34.9p to 43.1p. Business transacted at £86.5m compares favourably with £72.8m for the comparable period."

Results

The operating profit for the year has increased to £8.4m from £6.2m for the previous year. Pre-tax trading profits for the year are £7.6m as against £6.0m. Earnings per share rose from 34.9p to 43.1p. Business transacted at £86.5m compares favourably with £72.8m for the comparable period. Credit charges and commissions' turnover is £31.9m, up from £26.5m.

The Board is recommending a final dividend of 17.5p per ordinary share, making 23.5p per share for the year, compared to 21p last year, an increase for the year as a whole of 11.9% (last year was 5.0%). On this basis, at the average market price for March 2001 of 343.4p, the yield would be 6.84% with a cover of 1.8 times. Shareholders have enjoyed dividend growth in every year since before the company's 50th anniversary in 1988.

Business Transacted and Turnover

To most ordinary mortals this may mean the same thing; but not to accountants. We are advised that, now that Advantage forms a significant part of the group, it is more appropriate to state as our turnover line the credit charges and commission earned and not the full value of the sales or business transacted. We do however continue to show the fuller figure of business transacted for the sake of those, like me and many others, who consider this a highly relevant figure. The contracts of Advantage span some three years or so and therefore the business transacted to January 31st 2001 does not only benefit this year, but is also a store of future profits to an even greater extent than the home collected credit business.

Home Collected Credit

All geographical areas contributed to the improvement in sales and profits in the year. Much of this country's retail trade found last year difficult and, particularly against that backdrop, I believe that the hard work of the entire team deserves credit for an excellent performance. We believe the potential for steady growth continues and we will continue to invest in training, professionalism and getting the basic things right.

Motor Car Finance – Advantage Finance Limited

The first full year of trading showed a profit before tax of £907,000 compared with the small start-up loss last year. We can take some satisfaction in that level of profit in a venture so young. It would have been easy to make the figure the round million, but the standards of quality underwriting are paramount in a lending business. The business is continuing to grow satisfactorily and we anticipate increasing profits. There is already £6.0m of revenue deferred to future periods in respect of advances already made.

The 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.

“The Board is confident that the company can meet all the challenges of the new financial year and can continue to improve its performance.”

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

There are only four quoted companies in our field, Provident, Cattles, London & Scottish and S&U. At the time of writing the price earnings ratios of the three other quoted companies in our consumer finance field are almost double that of S&U. Although our profits and market capitalisation are admittedly smaller than theirs, S&U's recent performance and growth potential are at least comparable. I would therefore hope to see that recognised in a further convergence of S&U's price earnings ratio and that of the sector generally in the year ahead.

The Group's financial position continues to go from strength to strength and the profits grow. The business has defensive qualities at a time when the global economic scene is uncertain. It also has sound finances, clear and proven strategy, good management and committed staff. We plan to continue the successful expansion in the 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 a 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
18 April 2001

Managing Director's Report

In my first annual statement last year, I referred to an "underlying sea-change in both the productivity and future profitability of the Group". This heralded what I described then as the "most encouraging prospects for growth in shareholder value for many years". This year's results, the recent significant improvement in our market value, and the company's prospects for the new financial year provide substantial evidence that my optimism was not misplaced.

The current revitalisation of S & U has seen business transacted this year of £86.5m up 19% on a year ago. Gross margins have risen, both in our home credit and motor finance businesses, expenses have been held to budget and book debt quality remains high. As a result we are able to announce record profits of £7.62m which slightly exceed our broker's forecast. Further improvements in the company's performance are underpinned by our Group book debt which at £65.4m is up 31% on last year. Much more remains to be done to realise the levels of profit and market value of which S & U is undoubtedly capable. Nevertheless these very creditable results *provide a firm springboard for both.*

Operating results

	Year ended 31 January 2001 £m	Year ended 31 January 2000 £m
Business Transacted	86.5	72.8
Turnover	31.9	26.5
Gross profit	27.9	23.3
Operating expenses	(15.0)	(13.9)
Doubtful debt	(4.5)	(3.2)
Operating profit	8.4	6.2
Profit on sale of fixed assets	0.1	-
Interest	(0.9)	(0.2)
Profit before taxation	7.6	6.0

Home collected credit

Our home collected credit division has had a successful year, contributing about £6.6m of our record £7.6m Group profit, an increase of 9% on last year. Business transacted at £70.1m was 6% higher and almost exactly on budget. As I forecast a year ago greatest expansion was achieved in the South East, where our operations produced record profits and where further significant growth, both organically and by acquisition, is planned this year.

Nevertheless both growth in profit and sales was significant in all the company's geographical regions. Pride of place goes to S D Taylor, our North West operation, which produced significantly the best return on capital employed in the S & U Group. Wilson Tupholme, our North East business, improved sales and profit despite increased costs inevitable upon a significant re-organisation set in train by new management at our Sheffield office.

Our business philosophy continues to focus on a niche market of better off, aspirational family business within our traditional socio-economic customer groups. This stands in contrast to the mass coverage of our largest competitors and largely explains our continued good quality of debt and superior bad debt performance. This year we have further sharpened this focus by strengthening credit control rules, particularly for new customers, and by tightening delinquency and security procedures. Our approach will safeguard the quality of our debt, encourage further trading with our best customers and emphasise the responsible lending recently and rightly highlighted by the Consumer Affairs minister at the DTI. Our home collected book debt continues to grow; it now stands at nearly £36m an increase of 7.6% on last year. Debt quality is underpinned by an almost equal increase in Group cash collections and by bad debt figures which, in percentage terms, are both stable and significantly less than those announced recently by our major competitors.

We continue to simplify and streamline our finance range whilst upgrading our HP offer - the latter resulting in a 34% sales increase on last year. As a result our gross margins on all products continue to improve; further developments should maintain this trend which will give our preferred customers the type of reliable, informal and flexible service they increasingly demand.

Advantage Finance

After just over 18 months of trading, our motor finance subsidiary has produced profit before tax for the year of £907,000 on credit charges and commissions of £5.0m against £1.2m last year. This is a creditable result, particularly during a second half trading period which saw used car sales nationally 16% down on a year earlier with a consequent impact upon used car values.

Against such a background it is encouraging that Advantage has maintained its gross margins per deal and, equally important for the quality of its £13.8m net book of receivables, its rigorous underwriting standards. Customer numbers have now reached over 4,000 and the emphasis for expansion is upon improving the productivity of area sales teams in existing fields of operation rather than in broadening Advantage's geographical reach. This strategy is consistent with a cautious approach to potential delinquency; with a controlled increase in additional Group funding for Advantage and hence with the future secure and stable growth of the company.

In terms of customer analysis, staff training, and the use of IT to promote high standards of collection and of sales, the Advantage team maintain the very highest standards. I have no doubt that this will ensure that Advantage will add significantly to Group profits in the years ahead and hence justify the high expectations we have of them.

A E Holt (Leicester) Ltd

Despite a difficult market overshadowed by further closures in the East Midlands textiles industry, A E Holt, our hosiery manufacturing business has met my prediction of last year in producing a rate of return on capital close to that achieved in the rest of the Group. Although turnover has been static, costs have been reduced and margins improved so that profits have improved to £82,000 compared to £59,000 last year. Nevertheless prudence dictates that current market uncertainties require that Holt's current cautious business strategy be maintained.

Profit, dividend and earnings per share

	Year ended		6 months ended		6 months ended	
	31 January 2001 £m	31 January 2000 £m	31 January 2001 £m	31 January 2000 £m	31 July 2000 £m	31 July 1999 £m
Profit before tax	7.6	6.0	4.4	3.5	3.2	2.5
Profit after tax	5.2	4.2	2.9	2.4	2.3	1.8
Earnings per share	43.1p	34.9p	24.5p	20.6p	18.6p	14.3p
Dividends per share	23.5p	21.0p	17.5p	16.0p	6.0p	5.0p

Earnings per share have increased by an encouraging 8.2p on last year, over 23.4%; this reflects a significant improvement to 25.3% in the company's profit on ordinary activities before taxation as a percentage of net assets. This is evidence of S & U's renewed impetus and of its prospects for the future. The belated, but much merited, improvement in the company's stock market value over the past year is beginning to reflect this. It is therefore appropriate to raise the final dividend to 17.5p per Ordinary share, making 23.5p per share for the full year, an increase of 11.9%.

Managing Director's Report

Capital structure, liquidity and treasury

Further investment of just over £8m in our motor finance business has seen Group gearing rise from 36% of shareholder's funds last year to 59% in the current year. As I emphasised last year, this remains conservative both within the financial sector and in absolute terms. As our motor finance business matures, and after accounting for future cash requirements in our expanding home collected business, the rate of growth in Group borrowing should fall this year. The company's growth can be prudently financed within our Business Plan whilst we retain sufficient resources for other business opportunities as they arise.

The future

Since becoming Managing Director, I have consistently maintained that S & U's accelerated growth and profitability, and hence its market valuation, should be judged not just on a year to year basis but over a decade. Whilst the last 2 year's results provide tangible evidence of this revitalisation, the next 2 years will see further changes in the way that we operate and in our personnel which will promote the further growth of the company.

Current and future initiatives include:

- Development of further higher margin products which appeal to aspirational customers in our "niche" consumer and motor finance markets.
- Development of IT initiatives which enable us to better analyse, and communicate with, our customers throughout the Group.
- Better focused marketing to identify and appeal to future customers.
- Completion of our "Investors in People" initiative resulting in higher skilled, better motivated and more confident staff throughout the Group.
- Further improvements in investor relations both through our brokers, Brewin Dolphin, and through development of the company's web site.
- A new profit based remuneration scheme for all company Managers.

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

Conclusion

The last year has seen a significant rise in S & U's profits growth and hence in its stock market value. Whilst forecasts remain the province of our brokers, and other analysts, we are confident that this will continue. Much remains to be done but with the continued support of the Board, the hard work and dedication of our staff and most of all with the loyalty of our customers throughout the Group, I predict further substantial and sustainable progress for S & U in the years ahead.

Anthony M V Coombs
Managing Director
18 April 2001

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

Capita IRG Plc
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ
Tel: 020 8639 2006

Bankers

HSBC Bank plc
130 New Street
Birmingham B2 4JU

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

Solicitors

Hammond Suddards Edge
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

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 Tupholme 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

The directors present their annual report and the audited financial statements for the year ended 31 January 2001.

Activities

The principal activity of the group continues to be that of 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 2 and 3 and the managing director's report on pages 4 to 6.

Results and dividends

The group's profit on ordinary activities after taxation was £5,215,000 (2000 - £4,249,000). Dividends of £2,912,000 (2000 - £2,619,000) were paid and proposed during the year, leaving retained profits of £2,303,000 (2000 - £1,630,000) to be transferred to reserves.

The directors recommend a final dividend, subject to shareholders approval of 17.5p per share (2000 – 16.0p). This, together with the interim dividend of 6p per share (2000 – 5.0p) paid during the year, makes a total dividend for the year of 23.5p per share (2000 – 21.0p).

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 2001		At 31 January 2000 (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	2,056,241
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	–	7,000
K R Smith	–	4,500	–	–
D. Markou	–	2,000	–	–

Directors' Report

In addition, Mr D M Coombs has a non-beneficial interest in 400,000 (2000 - 400,000) Ordinary 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 2001 and 18 April 2001.

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 2001 (2000 - 298,048).

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 R E J Fisher, D M Coombs and D Markou retire by rotation and, being eligible, offer themselves for re-election.

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

Substantial shareholdings

At 18 April 2001, 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	13.81
R C Greig Nominees	479,298	4.08
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 £5,096 (2000 - £4,434). No political contributions were made.

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 2001 were 44 days (2000 – 43 days), and trade creditor days for the company were 54 days (2000 – 48 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
18 April 2001

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.

(d) The performance related bonus payable to the executive directors is linked to the Group's profit performance for the year.

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 24.

Directors' contracts

Mr A M V Coombs and Mr G D C Coombs have been granted service contracts, terminable with twelve months notice.

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

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 current position of the *company 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 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 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.

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 12.

Corporate Governance

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 2 to 11, 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.

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.

An ongoing process for identifying, evaluating and managing the significant risks faced by the group was put in place progressively during the latter part of the financial year and has remained in place up to the approval date of the annual report and accounts. That process is regularly reviewed by the board and accords with the Internal Control guidance for directors on the combined code produced by the Turnbull working party. During the preceding part of the financial year procedures were being established to meet the requirements for the system of internal control. 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 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 Group's centralised accounting function facilitates a tight financial control environment. Key procedures include authorisation limits, segregation of duties, standard costing procedures and regular reconciliations.

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.

The board has considered the need for an internal audit function, but has decided that, because of the size of the Group and the systems and controls in place, it is not appropriate at present. The board will review this on a regular basis.

Relationship with Auditors

Discussions have been held with the auditors regarding 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 overviews 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 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.

Compliance Statement

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. The company has complied throughout the accounting period ended 31 January 2001 with the provisions set out in Section 1 of the Code.

Statement of Directors' Responsibilities

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

Auditors' Report

To the members of S & U PLC

We have audited the financial statements on pages 18 to 38 which have been prepared under the accounting policies set out on pages 24 and 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 16 preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, The Listing Rules of the UK Listing Authority, 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 15 reflects the group's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, 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 it's 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 United Kingdom 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 2001 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

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham
18 April 2001

Consolidated Profit and Loss Account

Year ended 31 January 2001

	Note	2001 £000	2000 £000 (restated as per note 1)
Business transacted	1	86,482	72,810
Turnover	1,2	31,892	26,479
Cost of sales		(3,962)	(3,214)
Gross profit		27,930	23,265
Administrative expenses		(14,989)	(13,893)
Provision for doubtful debt		(4,492)	(3,184)
Operating profit	5	8,449	6,188
Profit on sale of fixed assets		113	-
Net interest payable	6	(942)	(181)
Profit on ordinary activities before taxation		7,620	6,007
Tax on profit on ordinary activities	7	(2,405)	(1,758)
Profit on ordinary activities after taxation being profit for the financial year		5,215	4,249
Dividends paid and proposed – including amounts in respect of non equity shares	9	(2,912)	(2,619)
Retained profit for the financial year		2,303	1,630
Earnings per Ordinary share	10	43.1p	34.9p
Dividends per Ordinary share	9	23.5p	21.0p

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 Movements on Reserves

Year ended 31 January 2001

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
The Group				
Balance at 1 February 2000	2,136	629	22,921	25,686
Transfer of depreciation on freehold properties	–	(9)	9	–
Retained profit for the financial year	–	–	2,303	2,303
Balance at 31 January 2001	**2,136**	**620**	**25,233**	**27,989**
The Company				
Balance at 1 February 2000	2,136	43	10,053	12,232
Transfer of depreciation on freehold properties	–	(1)	1	–
Retained profit for the financial year	–	–	*708*	*708*
Balance at 31 January 2001	**2,136**	**42**	**10,762**	**12,940**

Consolidated Balance Sheet

31 January 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	11	2,873	2,980
Current assets			
Amounts receivable from customers (including £9,737,000 falling due after one year (2000: £3,788,000))	13	49,574	38,471
Stocks	14	383	476
Debtors	15	917	1,023
Cash at bank and in hand		156	82
		51,030	40,052
Creditors: amounts falling due within one year	16	(13,797)	(15,229)
Net current assets		37,233	24,823
Total assets less current liabilities		40,106	27,803
Creditors: amounts falling due after more than one year	17	(10,000)	-
Net assets		30,106	27,803
Capital and reserves			
Called up share capital	18	2,117	2,117
Share premium account		2,136	2,136
Revaluation reserve		620	629
Profit and loss account		25,233	22,921
Total shareholders' funds		30,106	27,803
Attributable to equity shareholders		29,456	27,153
Attributable to non-equity shareholders		650	650
		30,106	27,803

These financial statements were approved by the Board of Directors on 18 April 2001

Signed on behalf of the Board of Directors

D. M. Coombs }
A. M. V. Coombs } *Directors*

Company Balance Sheet

31 January 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	11	952	1,041
Investments	12	2,893	2,893
		3,845	3,934
Current assets			
Amounts receivable from customers	13	14,696	13,342
Stocks	14	55	52
Debtors	15	12,607	3,103
Cash at bank and in hand		2	3
		27,360	16,500
Creditors: amounts falling due within one year	16	(6,148)	(6,085)
Net current assets		21,212	10,415
Total assets less current liabilities		25,057	14,349
Creditors: amounts falling due after more than one year	17	(10,000)	-
		15,057	14,349
Capital and reserves			
Called up share capital	18	2,117	2,117
Share premium account		2,136	2,136
Revaluation reserve		42	43
Profit and loss account		10,762	10,053
Total shareholders' funds		15,057	14,349
Attributable to equity shareholders		14,407	13,699
Attributable to non-equity shareholders		650	650
		15,057	14,349

These financial statements were approved by the Board of Directors on 18 April 2001

Signed on behalf of the Board of Directors

D. M. Coombs } *Directors*

A. M. V. Coombs

Consolidated Cash Flow Statement

Year ended 31 January 2001

	Note		2001		2000
		£000	£000	£000	£000
Cash flow from operating activities	20		(1,633)		(956)
Returns on investments and servicing of finance					
Interest received		4		55	
Interest paid		(902)		(236)	
Preference dividends paid		(230)		(77)	
Net cash outflow from returns on investments and servicing of finance			(1,128)		(258)
Taxation			(2,054)		(965)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(692)		(760)	
Proceeds of sale of fixed assets		226		58	
Net cash outflow for capital expenditure and financial investment			(466)		(702)
Equity dividends paid			(2,583)		(2,339)
Cash outflow before financing			(7,864)		(5,220)
Financing					
Increase in loans from banks			10,000		-
Increase / (Decrease) in cash in the year			2,136		(5,220)

Reconciliation of net cash flow to movement in net debt

	2001	2000
	£000	£000
Increase / (Decrease) in cash in the year	2,136	(5,220)
Cash inflow from increase in debt	(10,000)	-
Movement in net debt in the year	(7,864)	(5,220)
Net debt at 1 February 2000	(9,941)	(4,721)
Net debt at 31 January 2001	(17,805)	(9,941)

Note of Historical Cost Profits and Losses

Year ended 31 January 2001

	2001 £000	2000 £000
Profit on ordinary activities before taxation	7,620	6,007
Difference between historical cost depreciation charge and actual depreciation charge on the revalued amount	9	2
Historical cost profit on ordinary activities before taxation	7,629	6,009
Historical cost profit for the year retained after taxation and dividends	2,312	1,632

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 31 January 2001

	2001 £000	2000 £000
Profit for the financial year	5,215	4,249
Dividends	(2,912)	(2,619)
Net addition to shareholders' funds	2,303	1,630
Opening shareholders' funds:	27,803	26,173
Closing shareholders' funds	30,106	27,803
Attributable to 6% (formerly 4.2%) Cumulative Preference shareholders	200	200
Attributable to 31.5% Cumulative Preference shareholders	450	450
Total attributable to non-equity interests	650	650
Attributable to equity interests	29,456	27,153
	30,106	27,803

Notes to the Accounts

Year ended 31 January 2001

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	Credit charges received or receivable
● Monthly instalment credit agreements (consumer credit)	Credit charges received or receivable
● Monthly instalment credit agreements (car finance)	Credit charges 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 advice regarding the most appropriate accounting policy in the light of industry practice and the guidance contained in Financial Reporting Standard 18, the directors have restated turnover on the home collected instalment credit agreements as shown above. In previous periods, turnover was based on the total amount repayable less deferred income which also included the principal sum advanced. Cost of sales has been restated accordingly. There has been no impact on the profit for the year in the current or previous accounting period. Turnover and cost of sales have reduced by £44,457,000 (2000: £42,056,000) as a result of this restatement.

Business Transacted

In order to provide further comparative information, the directors have included a memorandum figure at the top of the profit and loss account, 'Business Transacted'. This represents the total amount that the customer has contracted to pay subject to the deferral of revenue attributable to a later period and VAT.

1. Accounting policies (continued)

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:

	From 1 February 2000	To 1 February 2000
Freehold buildings	2% per annum straight line	1% per annum straight line
Computers	20% per annum straight line	20% per annum straight line
Fixtures, fittings and plant	10% to 20% per annum on reducing balance	10% to 20% per annum on reducing balance
Motor vehicles	25% per annum on reducing balance	25% per annum on reducing balance

No depreciation is provided on freehold land. The company has adopted the transitional provisions in relation to its freehold properties under FRS 15 and as such the valuation performed in 1973 will be frozen and the properties will be held at modified historic cost.

The change in the rate of depreciation on freehold buildings has resulted in an increase in the depreciation charge of £10,000.

Investments

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

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.

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 into 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.

Notes to the Accounts

Year ended 31 January 2001

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:

	Turnover (restated)		Operating profit / (loss)		Net assets	
	2001	2000	2001	2000	2001	2000
Class of business	£000	£000	£000	£000	£000	£000
Consumer credit, rentals and other retail trading	25,661	23,920	6,793	6,278	29,380	27,546
Car finance	4,966	1,239	1,571	(151)	262	(150)
Manufacturing	1,265	1,320	85	61	464	407
	31,892	26,479	8,449	6,188	30,106	27,803

	Turnover (restated)	
	2001	2000
Geographical analysis by destination	£000	£000
United Kingdom	30,652	25,181
Other European countries	1,240	1,298
	31,892	26,479

3. Directors' emoluments

	Salaries and fees	Annual bonuses	Benefits in kind	Total 2001	Total 2000
	£000	£000	£000	£000	£000
Executive directors					
D M Coombs	179	10	24	213	194
A M V Coombs	143	8	10	161	140
G D C Coombs	122	7	7	136	127
R E J Fisher	102	6	12	120	107
Non-executive directors					
M F Hepplewhite	12	-	-	12	8
D Markou	11	-	-	11	8
K R Smith	11	-	-	11	8
2001 Total	580	31	53	664	592
2000 Total	549	-	43	592	

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 (2000 - £20,000) to a money purchase pension scheme for one director, Mr R E J Fisher (2000 – one director).

4. Information regarding employees

	2001	2000
	No	No
The average number of persons employed by the group in the year was:		
Consumer credit, rentals and other retail trading	297	318
Car finance	40	29
Manufacturing	19	27
	356	374

	2001	2000
	£000	£000
Staff costs during the year (including directors):		
Wages and salaries	6,725	6,195
Social security costs	610	603
Other pension costs	88	47
	7,423	6,845

5. Operating profit

	2001	2000
	£000	£000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	640	595
Rentals under operating leases:		
Hire of plant and machinery	4	3
Other operating leases	220	202
Auditors' remuneration:		
Group audit fees	56	55
Other services	18	26
Loss on sale of fixed assets	46	18
Rentals received/receivable under operating leases	(259)	(268)

The audit fee for the company was £25,000 (2000 - £25,000).

6. Net interest payable

	2001	2000
	£000	£000
Bank loan and overdraft	946	236
Interest payable and similar charges	946	236
Interest receivable	(4)	(55)
	942	181

Notes to the Accounts

Year ended 31 January 2001

7. Tax on profit on ordinary activities

	2001 £000	2000 £000
Corporation tax at 30% (2000 - 31%) based on the profit for the year	2,405	1,888
Adjustments to prior years' tax provisions		
Corporation tax	-	(130)
	2,405	1,758

The total amount of potential deferred tax unprovided at 31 January 2001 was £136,000 (2000 - £47,000).

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 £3,620,000 (2000 - £3,231,000).

9. Dividends

	2001 £000	2000 £000
Interim paid - 6p per Ordinary share (2000 - 5p)	704	587
Final proposed - 17.5p per Ordinary share (2000 - 16p)	2,054	1,879
Ordinary dividends on equity shares	2,758	2,466
31.5% Cumulative Preference dividend	142	142
6% (formerly 4.2%) Cumulative Preference dividend	12	11
Preference dividends on non-equity shares	154	153
Total dividends paid and proposed	2,912	2,619

10. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £5,215,000 (2000 - £4,249,000) from which is deducted Preference dividends of £154,000 (2000 - £153,000) giving earnings of £5,061,000 (2000 - £4,096,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2000 - 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 2000	1,285	4,796	1,013	7,094
Additions	2	636	54	692
Disposals	(47)	(646)	-	(693)
At 31 January 2001	1,240	4,786	1,067	7,093
Accumulated depreciation				
At 1 February 2000	180	3,259	675	4,114
Charge for the year	21	525	94	640
Disposals	(9)	(525)	-	(534)
At 31 January 2001	192	3,259	769	4,220
Net book value				
At 31 January 2001	1,048	1,527	298	2,873
At 31 January 2000	1,105	1,537	338	2,980

Comparable amounts determined according to the historical cost convention:

Cost	517	4,786	1,067	6,370
Accumulated depreciation	(89)	(3,259)	(769)	(4,117)
Net book value				
At 31 January 2001	428	1,527	298	2,253
At 31 January 2000	476	1,537	338	2,351

Included in the above is land at a cost or valuation of £60,000 (2000 - £60,000) which is not depreciated.

Notes to the Accounts

Year ended 31 January 2001

11. Tangible fixed assets (continued)

The Company	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 February 2000	357	1,568	512	2,437
Additions	-	198	11	209
Disposals	(47)	(186)	-	(233)
At 31 January 2001	310	1,580	523	2,413
Accumulated depreciation				
At 1 February 2000	23	1,047	326	1,396
Charge for the year	6	173	53	232
Disposals	(9)	(158)	-	(167)
At 31 January 2001	20	1,062	379	1,461
Net book value				
At 31 January 2001	290	518	144	952
At 31 January 2000	334	521	186	1,041

Comparable amounts determined according to the historical cost convention:

	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
Cost	260	1,580	523	2,363
Accumulated depreciation	(12)	(1,062)	(379)	(1,453)
Net book value				
At 31 January 2001	248	518	144	910
At 31 January 2000	291	520	186	997

Included in the above is land at a cost of £22,000 (2000 - £22,000) which is not depreciated.

11. Tangible fixed assets (continued)

Freehold land and buildings at cost or valuation are stated:

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
At open market valuation for existing use in 1973	971	971	60	60
At cost	269	314	250	297
	1,240	1,285	310	357

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

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
	376	442	86	181

12. Investments

The Company	£000
Shares in subsidiary companies	
At 1 February 2000	2,893
Additions during the year	–
At 31 January 2001	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
A E Holt (Leicester) Limited	Manufacture of hosiery

Notes to the Accounts

Year ended 31 January 2001

13. Amounts receivable from customers

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Gross instalment credit receivables	65,418	49,826	18,510	16,446
Less: Provision for doubtful debt	(5,422)	(4,173)	(1,925)	(1,581)
Instalment credit receivables after provision	59,996	45,653	16,585	14,865
Less: Deferred revenue	(10,422)	(7,182)	(1,889)	(1,523)
	49,574	38,471	14,696	13,342
Amounts receivable under finance leases and hire purchase agreements included above	15,170	6,194	571	457
Value of assets acquired during the year to be leased under finance leases or hire purchase agreements	11,029	4,943	407	307
Rentals received during the year in respect of finance leases and hire purchase agreements	6,596	1,830	815	598

14. Stocks

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Raw materials	25	32	-	-
Work in progress	116	132	-	-
Finished goods and goods for resale	242	312	55	52
	383	476	55	52

15. Debtors

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Trade debtors	147	211	-	-
Amounts owed by subsidiary undertakings	-	-	12,290	2,676
Corporation tax recoverable	171	171	52	52
Other debtors	326	360	138	217
Prepayments and accrued income	273	281	127	158
	917	1,023	12,607	3,103

All the above amounts fall due within one year.

16. Creditors: amounts falling due within one year

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank overdrafts	7,961	10,023	1,267	1,259
Trade creditors	587	757	320	319
Amounts owed to group undertakings	-	-	1,664	1,721
Corporation tax	1,727	1,376	340	376
Other taxation and social security	303	238	126	119
Other creditors	426	476	249	277
Accruals and deferred income	739	404	128	59
Proposed dividend	2,054	1,955	2,054	1,955
	13,797	15,229	6,148	6,085

17. Creditors: amounts falling due after more than one year

	The Group		The Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Bank loan	10,000	-	10,000	-
	10,000	-	10,000	-

A maturity analysis of the above borrowings is given in note 19.

Notes to the Accounts

Year ended 31 January 2001

18. Called up share capital

		2001	2000
		£000	£000
Authorised			
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
		2,450	2,450
Called up, allotted and fully paid			
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
		2,117	2,117

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% (formerly 4.2%) 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.

19. Financial instruments

As a result of "Financial Reporting Standard No.13 - Derivatives and Other Financial Instruments", we are 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 level of borrowings has increased in line with the increase in activity in the car finance business. Borrowings have taken the form of committed three year facilities in view of the longer lending periods involved in the car finance business. Over the next year the car finance business is expected to expand further.

As at 31st January 2001 the group's indebtedness amounted to £17,961,000 (2000: £10,023,000). The gearing was 59% (2000: 36%), being calculated as interest bearing borrowings as a percentage of equity shareholders' funds. The Board is of the view that the gearing level remains conservative, especially for a lending organisation.

The group has made no use of derivatives of any nature. The Board took the view that the relatively limited term of the group's lending made hedging costs inappropriate. However, the Board is mindful of the potentially increased interest rate risk associated with the car finance business 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.

Sterling financial liabilities

	2001 £000	2000 £000
Fixed rate	650	650
Floating rate (not hedged)	17,961	10,023
	18,611	10,673

The weighted average interest rate on fixed rate financial liabilities at 31 January 2001, being preference share capital having no maturity date, was 24% (2000: 24%). 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.

Sterling financial assets

	2001 £000	2000 £000
Fixed rate	9,737	3,788
Non-interest bearing	156	82
	9,893	3,870

The weighted average interest rate on fixed rate financial assets at 31 January 2001 was 30.1% (2000: 30.9%), with a weighted average period of 2.6 years (2000: 3 years) for which the rate is fixed. Non-interest bearing financial assets constitutes cash in hand. There are no floating rate financial assets.

Notes to the Accounts

Year ended 31 January 2001

19. Financial instruments (continued)

Currency risk

The Group has no material exposure to foreign currency risk.

Liquidity risk

The maturity of the Group's financial liabilities at 31 January 2001 was as follows:

	2001 £000	2000 £000
In one year or less or on demand	7,961	10,023
In more than one year but not more than two years	-	-
In more than two years but not more than five years	10,000	-
In more than five years	650	650
	18,611	10,673

Fair values of financial assets and financial liabilities

	2001		2000	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments:				
Net indebtedness	(17,805)	(17,805)	(9,941)	(9,941)
Preference share capital	(650)	(2,267)	(650)	(2,096)
Amounts receivable from customers (falling due after more than one year)	9,737	7,896	3,788	2,780

The fair values of cash at bank and in hand, the bank loans and the 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 2001 and 2000.

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.

20. Reconciliation of operating profit to net cash flow from operating activities

	2001 £000	2000 £000
Operating profit	8,449	6,188
Depreciation	640	595
Loss on sale of fixed assets	46	18
Decrease/(increase) in stocks	93	(54)
Increase in amounts receivable from customers	(11,103)	(7,842)
Decrease/(increase) in debtors	106	(202)
Increase in creditors	136	341
Net cash outflow from operating activities	(1,633)	(956)

21. Analysis of net debt

	31 January 2000 £000	Cash flow £000	31 January 2001 £000
Cash at bank and in hand	82	74	156
Bank overdraft	(10,023)	2,062	(7,961)
	(9,941)	2,136	(7,805)
Debt due after more than one year	–	(10,000)	(10,000)
	(9,941)	(7,864)	(17,805)

22. Financial commitments

	The Group		The Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Capital commitments				
Contracted for but not provided	–	–	–	–

Operating lease commitments

At 31 January 2001, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Land and buildings				
Leases which expire:				
Within one year	93	23	86	21
Within two to five years	28	97	28	93
After five years	39	21	18	–
	160	141	132	114
Other				
Leases which expire:				
Within two to five years	3	2	–	–
After five years	–	2	–	–
	3	4	–	–

Notes to the Accounts

Year ended 31 January 2001

23. 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 2001 was £6,552,000 (2000 - £7,812,000).

24. 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.

Five Year Financial Record

	1997 (restated) £000	1998 (restated) £000	1999 (restated) £000	2000 (restated) £000	2001 £000
Business Transacted	60,518	62,301	64,833	72,810	86,482
Turnover	20,840	22,214	23,629	26,479	31,892
Operating profit	7,376	5,953	6,066	6,188	8,449
Profit on ordinary activities before taxation	7,128	6,821	5,852	6,007	7,620
Corporation tax	(2,363)	(1,907)	(1,796)	(1,758)	(2,405)
Profit after taxation	4,765	4,914	4,056	4,249	5,215
Assets employed					
Fixed assets	3,660	2,882	2,891	2,980	2,873
Current assets	29,571	29,684	31,723	40,052	51,030
	33,231	32,566	34,614	43,032	53,903
Creditors	(9,759)	(7,951)	(8,441)	(15,229)	(23,797)
Shareholders' funds	23,472	24,615	26,173	27,803	30,106
Earnings per Ordinary share	39.3p	40.6p	33.3p	34.9p	43.1p
Dividends per Ordinary share	18.0p	19.0p	20.0p	21.0p	23.5p
Statistics					
Operating profit as a percentage of business transacted	12.2%	9.6%	9.4%	8.5%	9.8%
Profit on ordinary activities before taxation as a percentage of net assets.	30.4%	27.7%	22.4%	21.6%	25.3%
Net borrowings as a percentage of shareholders' funds	18.6%	14.9%	18.0%	35.8%	59.1%

The results in 1997 are drawn up under the former accounting policy for deferred income, and turnover in this year is net of provision for doubtful debt. It is not, therefore, directly comparable to the figures from 1998 onwards.

Business Transacted and Turnover for 1997 to 2000 has been restated in accordance with the change in accounting policy as described in Note 1 to the accounts on page 24. This restatement has no effect on profits.

Notice of Meeting

Notice is hereby given that the sixty-third Annual General Meeting of S & U PLC will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Tuesday, 12 June 2001 at 11.30 a.m. for the following purposes:

1. To receive and consider the financial statements for the year ended 31 January 2001, together with the reports of the directors and auditors thereon.

2. To declare a final ordinary dividend of 17.5p per share.

3. To re-elect as a director Mr R E J Fisher who retires by rotation.

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

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

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

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

By Order of the Board

E D Maiden
Secretary
4 May 2001

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.

2. In accordance with the company's articles of association, holders of the 6% (formerly 4.2%) and 31.5% Cumulative Preference Shares are not entitled to attend or vote in respect of these shares at this Annual General Meeting.

3. A copy of each directors' contract of service, where applicable, is available for inspection at the company's registered office during normal business hours, on any weekday, excluding Saturdays and public holidays, and on the day of the Annual General Meeting at the meeting venue from 11.15 a.m. until the conclusion of that meeting.

4. The register of directors' interests required to be kept by the Companies Act 1985 will be available for inspection at the Annual General Meeting.

Locations

BACUP

BIRMINGHAM

BRISTOL

DUNSTABLE

EDINBURGH

FALMOUTH

GRIMSBY

HEREFORD

IPSWICH

LEICESTER

LONDON

NEATH

NEWCASTLE-ON-TYNE

NEWTON ABBOT

PENMAENMAWR

PENRITH

PETERBOROUGH

SHEFFIELD

SOUTHAMPTON

STOKE-ON-TRENT

SUTTON-IN-ASHFIELD

WOLVERHAMPTON

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