

S&U PLC**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 JANUARY 2009**

S&U, providers of consumer credit and motor finance, today announces its preliminary results for the year ended 31 January 2009:

Key Financials:

- Revenues slightly ahead of last year at £46.2m (2008: £46.0m)
- Profit before tax and exceptional items maintained at £8.6m (2008: £8.6m)
- Earnings per share 50.1p (2008: 50.8p)
- Final dividend at 23p (unchanged); giving a total dividend 32p (unchanged)
- Strong balance sheet:
 - Net assets increased by 3.5% to £43.8m (2008: £42.3m)
 - Group gearing reduced to 72% (2008: 74%); finance costs and borrowings stable
 - Renewed bank facilities of £37m provide sufficient headroom, £31m drawn down at the period end

Operational Highlights:

- Divisional highlights:
 - Stable collections and earnings in Home Credit; 2,000 additional customers
 - Motor Finance revenues up 10% on last year; applications up 36%
 - Consolidation of sector as many competitors effectively leave the field
- Aiming to repeat the steady rise in debt quality and profitability we saw in the last major recession in the early 1990s
- Appointment of Mike Mullins, formerly General Manager of home credit division, to the board
- Stable profit and trading, good cash generation and renewed medium term funding provide a solid platform for future growth

Anthony Coombs, Chairman of S&U plc commented:

“Our trading in the year to date is both stable and consistent with our plans. Despite the scale of the challenges facing both our industry and the wider economy in the year ahead, S&U has produced good and solid results and retains the strength, stability and dynamism to both meet and take advantage of them for the benefit of every shareholder.”

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CHAIRMAN'S STATEMENT

I am pleased to announce yet another good set of results for S&U Plc. Profit before taxation and exceptional items was stable at £8.6m and the Group has a solid and strengthened financial position, providing an excellent platform for further growth in earnings and dividends over the next two years. Careful management has seen a slight improvement in the quality of both our home credit and motor finance book debt, whilst borrowings have been reduced, gearing improved and medium term funding now put in place to further strengthen our balance sheet. We are therefore well positioned to both weather the current economic downturn and to take advantage of the good lending opportunities it will undoubtedly present.

Financial Review

Revenue for the year ended 31 January 2009 increased slightly to £46.18 million (2008: £45.98 million) and profit before taxation and exceptional items was £8.6 million (2008: £8.6 million). Both revenues and profits remained stable in the Home Credit division and revenues in the Motor Finance business increased by 10% to £14.18 million (2008: £12.86 million) and profit before taxation increased by 15% to £3.01 million (2008: £2.61 million). Basic and diluted earnings per share were 50.1p (2008: 50.8p).

Our balance sheet remains very strong and gearing has been reduced to 72% (2008: 74%) over the year. As a credit business, S&U borrows to lend, and the absolute level of its gearing will therefore always be much higher than for a typical service or industrial company. Cash generated from operating activities was £3.86 million and bank facilities have now been put in place which will secure group financing and provide headroom for further investment over the next 3-5 years. Net assets at 31st January 2009 were £43.8m (2008: £42.3m).

- Profit before tax and exceptionals £8.6m (£8.6m).
- Group gearing from 74% to 72%.
- Final dividend at 23p unchanged – 1.6 earnings cover.
- Strengthened balance sheet and all medium term funding in place.
- Earnings per share 50.1p (50.8p).
- Current trading stable and promising.

Dividend

The Board is proposing to recommend a final dividend payment of 23 pence per ordinary share (2008: 23p) making a total of 32p for the year (2008: 32p). This will be paid on the 5 June 2009 to Ordinary Shareholders on the register on 15 May 2009, subject to shareholder approval at the Annual General Meeting on 22 May 2009.

Operational Review

Since last year a period of severe turbulence and uncertainty in the economy has developed into deepening recession. However it is at times such as these, that S&U's traditional strengths in providing conservatively underwritten finance to a stable and loyal customer base come into their own.

S&U has focused on responsible customer growth (4% in the past year) and upon working closely with our customers to ensure that our finance to them is both affordable and available when they require it.

As the economy has deteriorated, management has taken steps to protect the quality of our debt by more rigorous and sophisticated underwriting, by further integration of collecting in our home credit division and by a shortening of our debt profile throughout the Group.

This means that even should our customers incomes be eroded by unemployment, short time working or utility price inflation, S&U is well placed to protect its relationships with them and hence the quality of its debt and potential for trading.

Operating Results

	Year Ended 31 st January 2009	Year Ended 31 st January 2008
	£m	£m
Revenue	46.2	46.0
Cost of Sales	(16.2)	(15.7)
Gross Profits	30.0	30.3
Administrative Expenses	(19.6)	(19.4)
Exceptional Remuneration	(0.3)	-
Operating Profit	10.1	10.9
Interest	(1.8)	(2.3)
Profit before Taxation	8.3	8.6

Home Credit

- Consistent earnings and high profitability.
- Additional 2,000 customers since last year.
- Stable debt quality and conservative provisioning.
- Cash generative.

Revenue for the division decreased by 3% to £32.0 million (2008: £33.12 million) and profit before taxation was £5.25 million (2008: £5.96 million).

The division has continued to concentrate upon steady organic growth, upon increasing productivity of our existing representatives and upon debt quality. Profitability before exceptionals continues to be excellent despite an additional £250,000 rebates cost as the result of the full year effect of recent Competition Commission Regulations. Our home credit division continues to operate at a very high standard as evidenced by the consistent ratio of profit to turnover.

Book debt quality remains good. Indeed the level of impaired balances within the home credit portfolio has remained stable at around 30% of the loan book. A move towards the shorter-term loan increasingly favoured by customers has underpinned this.

During the year the former Wilson Tupholme subsidiary was integrated into the home credit division and this process will continue as we expand the business under the loansathome4u brand.

Maintaining high levels of customer service, and the increased representative productivity that this depends upon, requires constant demands of management particularly in a more difficult collections environment. The division has opened 5 further branches this year and continues to recruit Managers from home credit competitors, from within our organisation and from outside the industry. These changes should in particular benefit in the coming year our operations in Yorkshire which have historically underperformed; they have already made a significant contribution to major improvements in productivity and profitability in our Scottish operations over the past 12 months.

Support for our Representatives in the field has been further streamlined, centralised and made more effective throughout the year. All sales communications with customers are now carried out centrally; our debt management and legal operation has been centralised in Hanley, Staffordshire; our website loansathome4u.co.uk continues to develop and attract significant applications from new customers. These are now fed directly to our operatives in the field thus maximising transaction rates. Finally, we continue to pilot a prepaid plastic card offer for our customers which we envisage could be a useful complement to, rather than substitute for, our existing cash offer. Customers increasingly use and purchase from the internet and this card will enable them to do so.

Our emphasis upon strong management and quality of service provided by representatives has meant that the quality of our book debt remains good; the home credit business is strongly cash generative as cash properly follows profits. Our provision charge at 24% of revenue (2008: 24%) is both stable and compares favourably with industry averages. Lastly, further tightening of underwriting will ensure that increased customer applications, as credit conditions tighten elsewhere, follow through into higher collections.

Motor Finance

- Revenues up 10% to £14.17 million (2008: £12.86 million).
- Profit before taxation increased by 15% to £3.01 million (2008: £2.61 million).
- Applications up 36% and of higher quality.
- Now cash generative.

Advantage Finance, our motor subsidiary continues to go from strength to strength. Advantage's ability to sensibly grow and expand its business has been its hallmark and its growing reputation with brokers and other introducers and the withdrawal of competitors from the field saw application levels reach record numbers.

However, Advantage limited new business to the same level as last year thus securing the quality of the book and maximising cash with collections outpacing sales by 14% this year.

Advantage Finance receives up to 10,000 applications for finance a month of which it generally writes between 300 and 400. In order to maintain and improve debt quality it is continually refining its bespoke Experian based credit scoring system and it increased its underwriting hurdles twice during the year. As a result, at 31 January 2009, 69% of its customers were trading up to date.

Parallel to our philosophy in home credit, Advantage succeeds by focusing on its customer relationships. As economic conditions become more uncertain customers will favour, and responsibly trade with, those lenders with whom they maintain the closest of contact.

Advantage's techniques for maintaining such close contact and for analysing customer repayment patterns and demographics are state of the art. This bodes well for the future.

We continue to collect out our second mortgage subsidiary, Communitas Finance, in an orderly and effective manner. Outstanding book debt has reduced from £1.9 million to £1.5 million over the year and although, as expected, the business incurred a loss before tax of £75,000 in the year ended 31 January 2009, the deterioration in the housing market has not had a significant impact upon expected future collections.

Funding

- Continuing strengthening of our balance sheet – gearing 72% (2008: 74%).
- Medium term bank facilities secured for £28m of core borrowing out of total facilities of £37m.

Ultimately the strength of any business ought to be seen in its ability to reflect profit in the generation of cash. Despite continuing to invest sensibly in the growth of our motor finance business, our Group borrowings at year end were at the same level as last year at £31.3 million. Since the year end they have fallen so that our net cash position continues to improve compared to a year ago. Nevertheless we have recently strengthened our balance sheet and funding position still further following the renewed funding we secured in April 2008 by successfully securing £12 million of banking facilities to 2012. This means that we now have over £28 million of our current £29 million of borrowings on a medium term basis and have additional facilities providing headroom of nearly £8 million.

Current Trading and Outlook

Although the economic environment in my first 12 months as your Chairman has been less than propitious, S&U has emerged robustly profitable, financially strengthened and with a management team and workforce I confidently believe are among the best in both home credit and the motor finance industry. It is through our people that we serve our all important customers and through continuous appraisal, training and ever more selective recruitment we will push our standards still higher. I take the opportunity to thank them for their efforts and urge upon them even greater ones in the challenging times ahead.

The quality of our people will prove its worth in more uncertain times ahead. In home credit we are taking the opportunity to augment our staff as the sector consolidates and one of our larger competitors effectively leaves the field. We stand ready to make selective and complementary acquisitions as they become available. We balance our appetite for new customers with even tighter underwriting standards overseen by our independent Credit Controllers. Responsible monitoring of our customers debt profile should mean that we are able to repeat the steady rise in debt quality and home credit profitability we saw in the last major recession in the early 1990s.

A similar approach imbues the ethos at Advantage Finance. Recent tranches of new customers have evidenced a continuing improvement in quality – a trend which will see yield improving further as a result of lower early redemptions. A strong and stable staff and a management team inspired by Managing Director, Guy Thompson, underpins Advantage's continual growth.

Sound management is a balance between continuity and the introduction of new blood. Our current Board achieves this and I particularly record the appointment of Mike Mullins, formerly General Manager of our S&U home credit division, to the Board this year and also my appreciation for the strong support I have received from fellow Board members and, in particular, my brother and Deputy, Graham Coombs.

Whilst no-one but a fool would underestimate the scale of the challenges facing both our industry and the wider economy in the year ahead, S&U retains the strength, stability and dynamism to both meet and take advantage of them for the benefit of every shareholder.

A handwritten signature in black ink, appearing to read 'Anthony Coombs', with a long horizontal flourish extending to the right.

Anthony Coombs

31 March 2009

INCOME STATEMENT
Year ended 31 January 2009

	Note	2009 £000	2008 £000
Revenue	3	46,182	45,978
Cost of sales	4	(16,166)	(15,694)
Gross profit		<u>30,016</u>	<u>30,284</u>
Administrative expenses		(19,585)	(19,408)
Exceptional remuneration	5	(300)	-
Operating profit		<u>10,131</u>	<u>10,876</u>
Finance costs	6	(1,868)	(2,298)
Profit before taxation	3	<u>8,263</u>	<u>8,578</u>
Taxation		(2,388)	(2,613)
Profit for the year		<u><u>5,875</u></u>	<u><u>5,965</u></u>
Earnings per share basic and diluted	7	<u>50.1p</u>	<u>50.8p</u>
Dividends per share			
- Proposed Final Dividend		23.0p	23.0p
- Total dividend in respect of the year		32.0p	32.0p
- Paid in the year		<u>32.0p</u>	<u>32.0p</u>

All activities derive from continuing operations.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

	2009 £000	2008 £000
Profit for the year	5,875	5,965
(Loss)/gain on cash flow hedge	(814)	-
Actuarial (loss)/gain on defined benefit pension scheme	(24)	(18)
Credit for future cost of share based payments	2	-
Tax credit on items taken directly to equity	228	-
Total recognised income for the year attributable to equity holders of the parent	<u>5,267</u>	<u>5,947</u>

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BALANCE SHEET 31 January 2009

	Note	2009 £000	2008 £000
ASSETS			
Non current assets			
Property, plant and equipment		1,889	2,233
Amounts receivable from customers	8	26,413	24,784
Retirement benefit asset		35	40
Deferred tax assets		168	-
		<u>28,505</u>	<u>27,057</u>
Current Assets			
Inventories		96	155
Amounts receivable from customers	8	51,039	50,110
Trade and other receivables		408	663
Cash and cash equivalents		12	11
		<u>51,555</u>	<u>50,939</u>
Total Assets		<u>80,060</u>	<u>77,996</u>
LIABILITIES			
Current liabilities			
Bank overdrafts and loans		(15,330)	(9,683)
Trade and other payables		(1,426)	(938)
Tax Liabilities		(1,393)	(1,565)
Accruals and deferred income		(828)	(1,360)
Derivative financial instruments		(530)	-
		<u>(19,507)</u>	<u>(13,546)</u>
Non current liabilities			
Bank loans		(16,000)	(21,600)
Deferred tax liabilities		-	(80)
Financial liabilities		(450)	(450)
Derivative financial instruments	10	(321)	(37)
		<u>(16,771)</u>	<u>(22,167)</u>
Total liabilities		<u>(36,278)</u>	<u>(35,713)</u>
NET ASSETS		<u>43,782</u>	<u>42,283</u>
Equity			
Called up share capital		1,667	1,667
Share premium account	9	2,136	2,136
Profit and loss account	9	39,979	38,480
Total equity	9	<u>43,782</u>	<u>42,283</u>

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CASH FLOW STATEMENT

Year ended 31 January 2009

	Note	2009 £000	2008 £000
Net cash from operating activities	11	3,864	4,596
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		1,477	91
Purchases of property, plant and equipment		(1,619)	(549)
Net cash used in investing activities		(142)	(458)
Cash flows from financing activities			
Dividends paid		(3,768)	(3,768)
Issue of new borrowings		16,000	1,600
Repayment of borrowings		(10,397)	-
Net (decrease)/increase in overdraft		(5,556)	(1,964)
Net cash used in financing activities		(3,721)	(4,132)
Net increase/(decrease) in cash and cash equivalents		1	6
Cash and cash equivalents at the beginning of period		11	5
Cash and cash equivalents at the end of period		12	11
Cash and cash equivalents comprise			
Cash		12	11

There are no cash and cash equivalent balances which are not available for use by the group (2008 £nil)

1. SHAREHOLDER INFORMATION

1.1 Preliminary Announcement

The figures shown for the year ended 31 January 2009 are not statutory accounts within the meaning of section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 January 2009 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 237(2) or 237(3) of the Companies Act 1985 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 January 2008 are not statutory accounts. A copy of the statutory accounts has been delivered to the Registrar of Companies, contained an unqualified audit report and did not contain an adverse statement under section 237(2) or 237(3) of the Companies Act 1985. This announcement has been agreed with the company's auditors for release. A copy of this preliminary announcement will be published on the website www.suplc.co.uk. The Directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

1.2 Annual General Meeting

The Annual General Meeting will be held on 22nd May 2009.

1.3 Dividend

If approved at the Annual General Meeting a final dividend of 23.0p per Ordinary Share is proposed, payable on 5th June 2009 with a record date of 15 May 2009.

1.4 Annual Report

The 2009 Annual Report and Financial Statements will be posted to shareholders in due course. Copies of this announcement are available from the Company Secretary, S & U plc, Royal House, Prince's Gate, Homer Road, Solihull, West Midlands B91 3QQ.

2. KEY ACCOUNTING POLICIES

The 2009 financial statements have been prepared in accordance with applicable accounting standards and accounting policies – these key accounting policies are a subset of the full accounting policies.

2.1 Basis of preparation

As a listed company we are required to prepare our consolidated financial statements in accordance with international financial reporting standards (IFRS) adopted by the European Union. The financial information included in this preliminary announcement does not include all the disclosures required for IFRS or the Companies Act 1985.

Both the consolidated financial statements and the financial information included in this preliminary announcement have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value.

2.2 Revenue recognition

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

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

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

2.3 Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus direct transaction costs. After initial recognition the amounts receivable from customers are subsequently measured at amortised cost.

The directors assess on an ongoing basis whether there is objective evidence that a loan asset or group of loan assets is impaired and requires a deduction for impairment. A loan asset or a group of loan assets is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan. Objective evidence may include evidence that a borrower or group of borrowers is experiencing financial difficulty, default or delinquency in repayments. Impairment is then calculated by estimating the future cash flows for such impaired loans, discounting the flows to a present value using the original EIR and comparing this figure with the balance sheet carrying value. All such impairments are charged to the income statement.

Key assumptions in ascertaining whether a loan asset or group of loan assets is impaired include information regarding the probability of any account going into default and information regarding the likely eventual loss including recoveries. These assumptions and assumptions for estimating future cash flows are based upon observed historical data and updated as management considers appropriate to reflect current and future conditions. All assumptions are reviewed regularly to take account of differences between previously estimated cash flows on impaired debt and the eventual losses.

2.4 Derivative financial instruments

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

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

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

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

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

3. SEGMENTAL ANALYSIS

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

Class of business	← Revenue →		← Profit before taxation →	
	Year ended	Year ended	Year ended	Year ended
	31.1.09	31.1.08	31.1.09	31.1.08
	£000	£000	£000	£000
Consumer credit, rentals and other retail trading	32,007	33,120	5,251	5,965
Car finance	14,175	12,858	3,012	2,613
	<u>46,182</u>	<u>45,978</u>	<u>8,263</u>	<u>8,578</u>

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

Class of business	← Assets →		← Liabilities →	
	Year ended	Year ended	Year ended	Year ended
	31.1.09	31.1.08	31.1.09	31.1.08
	£000	£000	£000	£000
Consumer credit, rentals and other retail trading	40,331	41,774	(2,320)	(4,148)
Car finance	39,729	36,222	(33,958)	(31,565)
	<u>80,060</u>	<u>77,996</u>	<u>(36,278)</u>	<u>(35,713)</u>

Depreciation of assets for consumer credit was £436,000 (2008: £410,000) and for car finance was £78,000 (2008: £68,000) Fixed asset additions for consumer credit were £1,504,000 (2008: £602,000) and for car finance were £115,000 (2008: £64,000).

The significant products in consumer credit, rentals and other retail are unsecured home collected credit loans. The significant products in car finance are car loans secured under hire purchase agreements.

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

4. COST OF SALES

	2009	2008
	£000	£000
Loan loss provisioning charge – consumer credit, rentals and other retail trading	7,731	7,822
Loan loss provisioning charge – car finance	4,785	4,087
Total loan loss provisioning charge	<u>12,516</u>	<u>11,909</u>
Other cost of sales	3,650	3,785
Total cost of sales	<u><u>16,166</u></u>	<u><u>15,694</u></u>

5. EXCEPTIONAL REMUNERATION

On 16 May 2008 after 30 years serving as Chairman of the company, Mr DM Coombs retired as Chairman and resigned as a director to take up the non-Board position as president of the company. The Board agreed to make a one off payment of £300,000 to Mr Coombs upon his appointment as president which is shown as an exceptional item in the year to 31 January 2009.

6. FINANCE COSTS

	2009	2008
	£000	£000
31.5% cumulative preference dividend	142	142
Bank loan and overdraft	1,731	2,027
Loss/(profit) on financial derivative instrument	-	130
Other interest payable	7	7
	<hr/>	<hr/>
Interest payable and similar charges	1,880	2,306
Interest receivable	(12)	(8)
	<hr/>	<hr/>
	1,868	2,298
	<hr/> <hr/>	<hr/> <hr/>

7. EARNINGS PER ORDINARY SHARE

The calculation of earnings per Ordinary share is based on profit after tax of £5,875,000 (2008 –£5,965,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2008 – 11,737,228). There are no dilutive shares.

8. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2009	2008
	£000	£000
Consumer credit, rentals and other retail trading	55,003	55,412
Car finance hire purchase	50,850	46,365
	<hr/>	<hr/>
	105,853	101,777
Less: Loan loss provision consumer credit	(16,927)	(16,452)
Less: Loan loss provision car finance	(11,474)	(10,431)
	<hr/>	<hr/>
Amounts receivable from customers	77,452	74,894
	<hr/> <hr/>	<hr/> <hr/>
Analysis of Security		
Loans secured on vehicles under hire purchase agreements	37,479	33,946
Loans secured on residential property under 2 nd mortgages	1,454	1,870
Other Loans	38,519	39,078
	<hr/>	<hr/>
Amounts receivable from customers	77,452	74,894
	<hr/> <hr/>	<hr/> <hr/>
Analysis of Overdue		
<u>Not impaired</u>		
Neither past due nor impaired	44,181	41,395
Past due up to 3 months but not impaired	14,898	15,621
Past due over 3 months but not impaired	8,005	8,262
<u>Impaired</u>		
Past due up to 3 months	4,971	4,818
Past due up to 6 months	2,117	1,823
Past due over 6 months or default	3,280	2,975
	<hr/>	<hr/>
Amounts receivable from customers	77,452	74,894
	<hr/> <hr/>	<hr/> <hr/>

The credit risk inherent in amounts receivable from customers is reviewed as per note 1.4 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good with no issues noted. The above analysis of when loans are due is based upon original contract terms which are not rescheduled – the carrying amount of amounts receivable from customers whose terms have been renegotiated that would otherwise be past due or impaired is therefore £nil (2008: £nil).

9. SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN EQUITY

	Called up Share Capital £000	Share Premium Account £000	Profit and Loss Account £000	Total Equity £000
At 1 February 2007	1,667	2,136	36,301	40,104
Actuarial loss on pension	-	-	(18)	(18)
Profit for year	-	-	5,965	5,965
Dividends	-	-	(3,768)	(3,768)
At 1 February 2008	1,667	2,136	38,480	42,283
Actuarial loss on pension	-	-	(24)	(24)
Actuarial loss on cash flow hedge	-	-	(814)	(814)
Credit re cost of share based payments	-	-	2	2
Tax credit on items in equity	-	-	228	228
Profit for year	-	-	5,875	5,875
Dividends	-	-	(3,768)	(3,768)
At 31 January 2009	1,667	2,136	39,979	43,782

10. DERIVATIVE FINANCIAL INSTRUMENTS

The group's activities expose it to the financial risks of changes in interest rates and the group uses interest rate derivative contracts to hedge these exposures in accordance with the accounting policy noted in 1.12 above. A 5 year hedge contract on £20m of the group's borrowings was entered into on 20th September 2005 and has been designated a cash flow hedge. The fair value of this contract at 31st January 2009 was estimated to be a liability of £851,000 (2008: liability of £37,000). The contract is designated as a hedge. The debit of £814,000 qualifies for hedge accounting and has been taken directly to equity (2008: debit of £130,000 was included in finance costs for the year).

11. RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Operating Profit	10,131	10,876
Finance costs paid	(1,880)	(2,176)
Finance income received	12	8
Tax paid	(2,580)	(1,965)
Depreciation on plant, property and equipment	514	478
(Profit)/loss on disposal of plant, property and equipment	(28)	27
(Increase) in amounts receivable from customers	(2,558)	(2,873)
Decrease/(increase) in inventories	59	21
Decrease/(increase) in trade and other receivables	255	121
(Decrease) /increase in trade and other payables	488	(40)
Increase/(decrease) in accruals and deferred income	(532)	137
Increase in cost of future share based payments	2	-
(Decrease) in retirement benefit obligations	(18)	(18)
Net cash from operating activities	3,864	4,596