

CHAIRMAN'S STATEMENT

I am pleased to announce a strong set of results for S& U PLC. Profit before tax for the year is £9.0m (£8.3m in 2009), the balance sheet continues to strengthen and current trading and debt quality, in both home credit and motor finance divisions, is promising. Although the macroeconomic and political scene in Britain is clouded with uncertainty, I am confident that our formula of strong dedicated management, a consistent approach to funding and excellent customer relations will continue to produce good results. We have no place for complacency and see both our home credit and motor finance markets as offering significant sustainable growth.

Financial Review

Profit before tax rose to £9.0m from £8.3m last year, on revenue for the year of £45.8m (2009 £46.2m). Our performance reflected improving debt quality, rigorous underwriting and tight cost control against a background of customer caution. Sales in both divisions rose in the second half of the year, as home credit enjoyed a strong Christmas, and Advantage significantly increased its market share.

S&U's balance sheet continues to strengthen as both home credit and motor finance businesses generate cash. Year end net borrowings at £26.6m were £4.7m less than a year ago and Group gearing has fallen to 57% from 72% last year. Gearing has fallen for the third consecutive year. Net assets have risen to £46.8m and our current banking facilities give us £9m of headroom for expansion and acquisition. We generated £8.6m (2009: £3.9m) net cash from operating activities this year; particularly pleasing was the fact that, whilst increasing profits, home credit produced net cash of £2.9m, whilst Advantage for the first time generated £1.8m.

Highlights

- Profit before tax £9.0m (2009: £8.3m)
- Group gearing 57% (2009: 72%)
- Earnings per share = 55.2p (2009: 50.1p)
- Final Dividend increase proposed to an annualised 34p per Ordinary share (2009: 32p)
- 2nd Interim Dividend paid of 15p per share
- Good trading prospects

Dividend

The Board is proposing to recommend a final dividend payment of 10p per share. This dividend will be paid on the 4 June 2010 to Ordinary Shareholders on the register on 14 May 2010 subject to shareholder approval at the Annual General Meeting on 21 May 2010.

Taking into account the second interim dividend of 15p paid in March this year, this represents a total dividend in respect of the year of 34p (2009: 32p) per Ordinary share. Dividend cover will nevertheless increase slightly at 1.6. This increase reflects both the Company's historical performance and a prudent evaluation of trading prospects.

Operational Review

S&U's strength in the consumer credit market is the almost uniquely close relationship we have with our loyal and much valued customers. This enables us to tailor our products to their needs in for what, for many, has been an uncertain and unsettling economic climate. Thus, in both home credit and motor finance we have seen a reduction in loan size and in term which has proved effective in increasing loan quality. In home credit we have introduced a new, shorter term product, which fits not only our new customers but enables existing ones, whose circumstances may have changed, to continue to trade with us whilst rehabilitating their accounts. The trend toward a shortening of our loan book has not only seen strengthened debt quality, but also an increase in customer numbers of over 3,000 on last year.

A similar trend is evident at Advantage Motor Finance. Whilst average loan size has fallen slightly, new customer numbers are up over 7% on a year ago. The fact that loan applications in the last year grew by over 12% demonstrates how tighter underwriting standards have driven new customer debt quality.

Irrespective of the speed of economic recovery and the inevitable fluctuations in the labour market this will bring, the Group is well-placed to maintain its debt quality and to continue to grow our customer base in a responsible and prudent way.

Operating Results

	Year Ended 31 January 2010	Year Ended 31 January 2009
	£m	£m
Revenue	45.8	46.2
Cost of Sales	(16.0)	(16.2)
Gross Profit	29.8	30.0
Administrative Expenses	(19.3)	(19.6)
Exceptional Remuneration	-	(0.3)
Operating Profit	10.4	10.1
Finance Costs (Net)	(1.4)	(1.8)
Profit before Taxation	9.0	8.3

Home Credit

- Increased and high levels of profitability
- An additional 3,000 (2009: 2,000) customers this year
- Strengthened loan quality
- Increasing cash generated year on year
- Opening of 4 new branches
- Selective acquisition programme underway

Profit before tax for the division increased by 12% to £5.9m (2009: £5.3m) on revenues of £31.6m (2009: £32.0m). My earlier comments on our customers' needs in the current economic environment, and the way in which we adapt to them, explain only in part this strong performance in our home credit division. Whilst a shortened and tightly controlled loan book has led to greater profitability on similar revenue but more customers, the success of such a business model depends upon the commitment, attention to detail and constant performance monitoring upon which good customer service depends.

Examples throughout the year abound, but the performance of staff during the very severe weather in January was exceptional. Not only did Representatives and Managers literally walk through the snow to ensure their service to customers was uninterrupted but one administrator insisted on walking 5 miles each way to her branch when public transport failed and roads were blocked! The quantities of midnight oil burned and grit and determination shown exemplify the excellent spirit pervading S&U and should not go unrecognised.

More measurable are other improvements made throughout the year. All our customer facing literature in our trading Company loansathome4u has been redesigned and updated and customer communications more tightly focused. Our strategy of becoming closer to our customers has led to the opening of a further four branches (Leeds, Kilmarnock, Deeside, Stockton), following the five opened last year and more are planned.

A new, externally sourced, management training programme has been put in place which will not only improve confidence, organisational and motivational skills but also increase the number of management roles we fill from within the Company. Nevertheless we continue to recruit from competitors, some of whom have recently announced rationalisation and downsizing.

Some of this has occurred in Yorkshire, where better management and tighter debt and cost control have seen a turnaround in profitability.

Whilst extending our present range, by the introduction of a shorter-term loan product, loansathome4u has not increased prices. Not only does this strengthen our relations with existing customers but leaves us well placed to continue recruiting new ones. In particular,

our acquisitions in both the North East and on the South coast have benefited from this approach and settled in well. We search for more as the market consolidates particularly amongst medium sized lenders.

Such an approach can only be beneficial in our relationships with regulators, which are very good. Indeed, it is my impression that Home Credit's reputation amongst the more knowledgeable civil service and academic community is gaining ground as the industry's values of flexibility, convenience, restraints on lending and good customer relations come to the fore and available credit elsewhere declines.

Motor Finance

- Record profits of £3.1m for the 10th successive year
- Strongly cash generative for the first time
- Stable improvement and good collections quality
- Record application numbers and new customer quality
- Current trading very promising

Advantage, our motor finance subsidiary based in Grimsby, this year celebrated its 10th anniversary with record profits of £3.1m underpinned by strong collecting and an increasing share of the sub-prime and, increasingly, the non-prime market.

Restrictions on the supply of new vehicles saw an improvement in used car values this year. This was accompanied by restrictions on transactions amongst Advantage's competitors, including BCT and Funding Corporation.

Advantage benefited from this, particularly in the second half, achieving strong sales to reverse the slight fall in revenues experienced in the first. Thus, at year end, customer applications finished 12% up on 2009, whilst transaction numbers in the final two months were a record. Advantage is recruiting more of its traditional good quality sub-prime customers whilst introducing new products which have attracted "trickle down" customers denied finance in the non-prime sector. This has meant that not only have margins been maintained and product add-ons been protected, but that new customer collections experience has been good too. Another excellent performance from a very impressive team.

We continue to run off our small second mortgage book at Communitas Finance in a satisfactory manner. Outstanding book debt has reduced from £1.5m to £0.9m. Communitas's bank loan has been repaid and a loss of £233,000 recognised this year, which will minimise the Group's further exposure to this business.

Funding

- Gearing reduced to 57% (2009: 72%)
- Net cash inflow from Operating Activities of £8.6m (2009: £3.9m)
- Net borrowing reduction of £4.7m.
- Significant headroom for acquisition/expansion.

As befits any serious lender with a stable loan book, S&U is generating cash and reducing its borrowings. We have excellent long-term relationships with our funders and total bank facilities of £36m to cover £27m of current borrowings. Nevertheless the continuing travails of the banking sector and possible requirement for acquisitions and organic growth, make our increasing banking headroom sensible and prudent. We will continue in this disciplined vein.

Current Trading and Outlook

S&U's ability to adapt to, and indeed prosper in, what have been the worst economic conditions for thirty years is not merely a matter of happenstance. It depends upon the enduring relationships with home credit and motor finance customers fostered by our representatives, collectors and brokers, continually monitored and refined by our management teams. Whilst the political climate may be changeable, regulatory conditions have become more benign as the importance of maintaining an appropriate and responsible supply of credit to every customer is increasingly appreciated in Government circles. For instance, home credit has probably the highest independently assessed customer satisfaction measures in the consumer credit industry and with good reason.

Nevertheless, strong performance doesn't just happen; it depends upon the focus, dedication and attention to detail of all who work in our home credit and motor finance businesses. I thank them for their efforts.

These are already reaping the reward in our current trading. With their support, and that of our Board, we aim to continue to provide Britain's best home credit and motor finance service for our customers, and to build S&U for the benefit of every shareholder.

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

Anthony Coombs
24 March 2010

INCOME STATEMENT
Year ended 31 January 2010

	Note	2010 £000	2009 £000
Revenue	3	45,795	46,182
Cost of sales	4	(16,030)	(16,166)
Gross profit		29,765	30,016
Administrative expenses		(19,328)	(19,585)
Exceptional remuneration	5	-	(300)
Operating profit		10,437	10,131
Finance costs (net)	6	(1,434)	(1,868)
Profit before taxation	3	9,003	8,263
Taxation		(2,522)	(2,388)
Profit for the year		6,481	5,875
Earnings per share basic and diluted	7	55.2p	50.1p
Dividends per share			
- Proposed Final Dividend		10.0p	23.0p
- Interim dividends in respect of the year		24.0p	9.0p
- Total dividend in respect of the year		34.0p	32.0p
- Paid in the year		32.0p	32.0p

All activities derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	2010 £000	2009 £000
Profit for the year	6,481	5,875
Gain/(loss) on cash flow hedge	488	(814)
Actuarial (loss) on defined benefit pension scheme	(28)	(24)
Credit for future cost of share based payments	2	2
Tax (charge)/credit on items taken directly to equity	(137)	228
Total Comprehensive Income for the year	6,806	5,267

BALANCE SHEET
31 January 2010

	Note	2010 £000	2009 £000
ASSETS			
Non current assets			
Property, plant and equipment		1,545	1,889
Amounts receivable from customers	8	25,475	26,413
Retirement benefit asset		15	35
Deferred tax assets		128	168
		<u>27,163</u>	<u>28,505</u>
Current Assets			
Inventories		136	96
Amounts receivable from customers	8	50,961	51,039
Trade and other receivables		567	408
Cash and cash equivalents		<u>1,391</u>	<u>12</u>
		53,055	51,555
Total Assets		<u>80,218</u>	<u>80,060</u>
LIABILITIES			
Current liabilities			
Bank overdrafts and loans		(12)	(15,330)
Trade and other payables		(1,889)	(1,426)
Tax Liabilities		(1,555)	(1,393)
Accruals and deferred income		(1,055)	(828)
Derivative Financial Instruments	9	(437)	(530)
		<u>(4,948)</u>	<u>(19,507)</u>
Non current liabilities			
Bank loans		(28,000)	(16,000)
Financial liabilities		(450)	(450)
Derivative financial instruments	9	-	(321)
		<u>(28,450)</u>	<u>(16,771)</u>
Total liabilities		(33,398)	(36,278)
NET ASSETS		<u>46,820</u>	<u>43,782</u>
Equity			
Called up share capital		1,667	1,667
Share premium account		2,136	2,136
Profit and loss account		43,017	39,979
Total equity		<u>46,820</u>	<u>43,782</u>

STATEMENT OF CHANGES IN EQUITY
Year ended 31 January 2010

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 February 2008	1,667	2,136	38,480	42,283
Profit for year	-	-	5,875	5,875
Other comprehensive income for year	-	-	(608)	(608)
Total comprehensive income for year	-	-	5,267	5,267
Dividends	-	-	(3,768)	(3,768)
At 31 January 2009	1,667	2,136	39,979	43,782
Profit for year	-	-	6,481	6,481
Other comprehensive income for year	-	-	325	325
Total comprehensive income for year	-	-	6,806	6,806
Dividends	-	-	(3,768)	(3,768)
At 31 January 2010	1,667	2,136	43,017	46,820

CASH FLOW STATEMENT
Year ended 31 January 2010

	Note	2010 £000	2009 £000
Net cash from operating activities	10	8,569	3,864
Cash flows used in investing activities			
Proceeds on disposal of property, plant and equipment		376	1,477
Purchases of property, plant and equipment		(480)	(1,619)
Net cash used in investing activities		<u>(104)</u>	<u>(142)</u>
Cash flows used in financing activities			
Dividends paid		(3,768)	(3,768)
Issue of new borrowings		12,000	16,000
Repayment of borrowings		(11,203)	(10,397)
Net (decrease)/increase in overdraft		(4,115)	(5,556)
Net cash used in financing activities		<u>(7,086)</u>	<u>(3,721)</u>
Net increase/(decrease) in cash and cash equivalents		1,379	1
Cash and cash equivalents at the beginning of period		<u>12</u>	<u>11</u>
Cash and cash equivalents at the end of period		<u>1,391</u>	<u>12</u>
Cash and cash equivalents comprise			
Cash		<u>1,391</u>	<u>12</u>

There are no cash and cash equivalent balances which are not available for use by the Group (2009 £nil)

1. SHAREHOLDER INFORMATION

1.1 Preliminary Announcement

The figures shown for the year ended 31 January 2010 are not statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2010 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 January 2009 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 498(2) or 498(3) of the Companies Act 2006. 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 21 May 2010.

1.3 Dividend

If approved at the Annual General Meeting a final dividend of 10.0p per Ordinary Share is proposed, payable on 4 June 2010 with a record date of 14 May 2010.

1.4 Annual Report

The 2010 Annual Report and Financial Statements and AGM notice will be displayed in full on our website www.suplc.co.uk in due course and also posted to those Shareholders who have still opted to receive a hardcopy. 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 2010 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 and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. The financial information included in this preliminary announcement does not include all the disclosures required for IFRS or the Companies Act 2006.

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.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the preliminary announcement along with the Group's objectives, policies and processes for managing its capital. The details of the Group's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit risk, market risk and liquidity risk are set out in detail within the audited financial statements. The directors

believe that the Group is well placed and has sufficient financial resources to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the preliminary announcement.

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.

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 31.1.10 £000	Year ended 31.1.09 £000	Year ended 31.1.10 £000	Year ended 31.1.09 £000
Consumer credit, rentals and other retail trading	31,600	32,007	5,876	5,251
Car finance	14,195	14,175	3,127	3,012
	<u>45,795</u>	<u>46,182</u>	<u>9,003</u>	<u>8,263</u>

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

Class of business	← Assets →		← Liabilities →	
	Year ended 31.1.10 £000	Year ended 31.1.09 £000	Year ended 31.1.10 £000	Year ended 31.1.09 £000
Consumer credit, rentals and other retail trading	40,844	40,331	(1,193)	(2,320)
Car finance	39,374	39,729	(32,205)	(33,958)
	<u>80,218</u>	<u>80,060</u>	<u>(33,398)</u>	<u>(36,278)</u>

Depreciation of assets for consumer credit was £401,000 (2009: £436,000) and for car finance was £51,000 (2009: £78,000) Fixed asset additions for consumer credit were £425,000 (2009: £1,504,000) and for car finance were £55,000 (2009: £115,000).

The finance cost charge for consumer credit was £69,000 (2009: £121,000) and for car finance was £1,365,000 (2009: £1,747,000). The tax charge for consumer credit was £1,632,000 (2009: £1,540,000) and for car finance was £890,000 (2009: £848,000).

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

	2010	2009
	£000	£000
Loan loss provisioning charge – consumer credit, rentals and other retail trading	7,061	7,731
Loan loss provisioning charge – car finance	5,538	4,785
Total loan loss provisioning charge	<u>12,599</u>	<u>12,516</u>
Other cost of sales	3,431	3,650
Total cost of sales	<u><u>16,030</u></u>	<u><u>16,166</u></u>

5. EXCEPTIONAL REMUNERATION

On 16 May 2009 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 (NET)

	2010	2009
	£000	£000
31.5% cumulative preference dividend	142	142
Bank loan and overdraft	1,295	1,731
Other interest payable	2	7
Interest payable and similar charges	<u>1,439</u>	<u>1,880</u>
Interest receivable	(5)	(12)
	<u><u>1,434</u></u>	<u><u>1,868</u></u>

7. EARNINGS PER ORDINARY SHARE

The calculation of earnings per Ordinary share is based on profit after tax of £6,481,000 (2009 – £5,875,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2009 – 11,737,228). There are a total of 14,500 dilutive share options in issue (2009-10,000).

8. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2010	2009
	£000	£000
Consumer credit, rentals and other retail trading	54,460	55,003
Car finance hire purchase	51,793	50,850
	<hr/>	<hr/>
	106,253	105,853
Less: Loan loss provision consumer credit	(17,036)	(16,927)
Less: Loan loss provision car finance	(12,781)	(11,474)
	<hr/>	<hr/>
Amounts receivable from customers	76,436	77,452
	<hr/>	<hr/>
Analysis of Security		
Loans secured on vehicles under hire purchase agreements	37,287	37,479
Loans secured on residential property under 2 nd mortgages	948	1,454
Other Loans	38,201	38,519
	<hr/>	<hr/>
Amounts receivable from customers	76,436	77,452
	<hr/>	<hr/>
Analysis of Overdue		
<u>Not impaired</u>		
Neither past due nor impaired	46,271	44,181
Past due up to 3 months but not impaired	14,567	14,898
Past due over 3 months but not impaired	6,998	8,005
<u>Impaired</u>		
Past due up to 3 months	3,648	4,971
Past due up to 6 months	2,007	2,117
Past due over 6 months or default	2,945	3,280
	<hr/>	<hr/>
Amounts receivable from customers	76,436	77,452
	<hr/>	<hr/>

The credit risk inherent in amounts receivable from customers is reviewed as per note 2.3 and under this review the credit quality of assets which are neither past due nor impaired was considered to be good. 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 (2009: £nil).

9. 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 2.4 above. A 5 year hedge contract on £20m of the Group's borrowings was entered into on 20 September 2005 and has been designated a cash flow hedge. The fair value of this contract at 31 January 2009 was estimated to be a liability of £437,000 (2009: liability of £851,000). The contract is designated as a hedge but no longer qualifies for hedge accounting. As such the fair value movement in the year of £488,000 has been taken to the income statement. Furthermore, the amount previously recognised in equity is being recycled through the income statement over the remaining life of the instrument.

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

	2010	2009
	£000	£000
Operating Profit	10,437	10,131
Finance costs paid	(1,365)	(1,880)
Finance income received	5	12
Tax paid	(2,457)	(2,580)
Depreciation on plant,property and equipment	452	514
(Profit) on disposal of plant, property and equipment	(4)	(28)
Decrease/(increase) in amounts receivable from customers	1,016	(2,558)
(Increase)/decrease in inventories	(40)	59
(Increase)/decrease in trade and other receivables	(159)	255
Increase in trade and other payables	463	488
Increase/(decrease) in accruals and deferred income	227	(532)
Increase in cost of future share based payments	2	2
(Decrease) in retirement benefit obligations	(8)	(19)
Net cash from operating activities	<u>8,569</u>	<u>3,864</u>