

**IMMEDIATE RELEASE:**

**S&U PLC**

**Providers of Consumer Credit and Motor Finance**

**INTERIM RESULTS FOR THE HALF YEAR TO 31<sup>ST</sup> JULY 2006**

- **HALF-YEAR PROFITS £4.8M (£5.3M) ON REVENUE £19.8M (£19.9M) IN MORE CHALLENGING FIRST HALF.**
- **EARNINGS PER SHARE 28.4P (31.5P) – INTERIM DIVIDEND DECLARED 9P (UNCHANGED).**
- **HOME COLLECTIONS – STEADY PROFIT GENERATED. OPPORTUNITIES BEING TAKEN TO IMPROVE BRANCH AND REPRESENTATIVE NETWORK.**
- **HOME CREDIT CALL NUMBERS SINCE JULY 31<sup>ST</sup> RUNNING AT 4% UP ON LAST YEAR, REVERSING RECENT TRENDS.**
- **MOTOR CAR FINANCE – PROFITS £1.20M (£1.19M). A MORE SUBSTANTIAL INCREASE EXPECTED FOR THE YEAR.**
- **THE SUB-PRIME SECTOR IS EXPECTED TO PROVIDE REAL OPPORTUNITIES FOR PROFITABLE GROWTH OVER THE NEXT FEW YEARS.**

Issued on behalf of S&U Plc by Simon Preston 020 7655 0500 or 07910825778

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	Chairman		Managing Director
	S&U PLC		S&U PLC
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**POLHILL COMMUNICATIONS  
DOME HOUSE  
48 ARTILLERY LANE  
LONDON E1 7LS  
Registration Number 1983318**

**CHAIRMAN'S STATEMENT**

The results for the half year ended on the 31<sup>st</sup> July 2006 show that profits before tax have reduced from £5.3 million last year to £4.8 million this year. This reduction reflects a slightly more challenging first half year for both collections and sales. Further management action already underway in these areas is expected to lead to second half improvements.

Revenue totalled £19.8 million compared to £19.9 million for the comparable period last year.

Our home collection business continues to generate steady profits and where appropriate we are taking selective opportunities to improve our excellent branch and representative network.

Advantage Finance has achieved profits of £1.20m against £1.19m last year and is expected to provide a more substantial increase for the full year.

The proposed interim dividend is unchanged at 9p per share. This will be paid on the 10<sup>th</sup> November 2006 to Ordinary Shareholders. The shares will go ex dividend on the 11<sup>th</sup> October 2006.

DM Coombs

Chairman

4 October 2006

**MANAGING DIRECTOR'S STATEMENT**

Over the past 2 years I have commented on the “challenging trading and regulatory environment” for the home credit industry and upon slowing consumer confidence. The latter affects customers’ appetite for credit and the propensity to repay it. Both these trends have continued over the past half year and are reflected in S&U’s results; Group profit before tax is £4.76m (2005;£5.28m) whilst Group Revenue is broadly static for the period.

These results reflect a period of change and uncertainty within our home credit market which is probably unparalleled over the past 25 years. The Government, its regulators and consumer group outsiders have presided over a blizzard of initiatives which have distorted and disturbed relationships with our customers throughout the consumer credit industry. Statutory changes to early settlement rebates in home credit have tightened margins. Changes in bankruptcy legislation and the growth in the activities of commercial debt consolidators and their misguided counterparts in the money advice sector have made collections more challenging. Individual voluntary arrangements by debtors have increased by 200% in the last year alone. These trends have inevitably reflected in increased debt provisioning both in S&U’s home credit and car finance subsidiaries.

Unfortunately Government has responded to these developments by piling Ossa on Pelion. S&U shareholders will ruefully reflect upon the recent suggestion by the Competition Commission, in its review of the Home Credit Industry, that S&U has for the past 5 years been making profits which are persistently excessive compared to its cost of capital. The Competition Commission’s proposed industry wide remedy, for this alleged unsatisfactory state of affairs, includes further measures on data sharing and early settlement rebates which will restrict our ability to serve our customers, raise costs and, ironically, risk increasing financial exclusion for customers.

The Government’s Alternative Dispute Resolution Procedures, to be introduced from next April, will further restrict the availability of credit to precisely those customers with whom the Competition Commission admitted that home credit “fitted like a glove”.

Small wonder that the past year has seen significant structural changes within the industry. Morses’ absorption into LSB, has been followed by the closure of House of Stirling, the effective exit of Park Credit from the industry and by recent newspaper reports of the proposed sale of LSB itself. I expect this consolidation to continue. S&U can and is taking advantage of it. We have recently recruited some 70 new representatives from these companies in the past 3 months alone.

An equally encouraging side effect has been that our home credit division has now been able to reverse a recent fall in customer numbers: these are now up by 4% on a year ago and the trend is improving. The Group assets continue to grow as our Advantage Motor Finance book reaches £40.1m and over 8,000 customers. Equally significant for the long term development of the Group is a successful pilot of Communitas, our new second mortgage business, which is developing a high quality niche with remortgage brokers. The resulting book now has gross receivables of over £2m so that I am reasonably confident that Communitas will break into profit early in its second year of operation.

## **S&U PLC**

In a more challenging collecting environment, action is being taken to protect and improve the quality of our debt. At Advantage, a new Experian linked underwriting system is allowing a more rigorous processing of up to 10 times the number of previously handled applications. Legal recovery has been strengthened there to the extent that over £100,000 more cash has been recovered by this method than in the first half of last year. In home credit, IT advances have allowed much closer scrutiny of the performance of small paying accounts, whilst the widening of our loan range has improved our ability to “reactivate” dormant customers. As a result, we look to improve collection experience in the second half of the year.

Irrespective of our investment in these areas and in new businesses, S&U’s balance sheet remains strong. Gearing is 79% and bank facilities are in place to finance organic growth, recent small acquisitions in the home credit field and the development of our new second mortgage business. Against this background it is appropriate to announce a 9p per Ordinary Share dividend payable in November.

It would be disingenuous to understate the social and regulatory changes that have made the collection and protection of our consumer credit debt more challenging than ever before. Nevertheless, with rigorous management, the right products, and sensible underwriting, I am confident that the sub-prime sector offers real opportunities for sustained and profitable growth over the next few years.

Anthony Coombs

4 October 2006

**INDEPENDENT REVIEW REPORT TO S & U PLC**

**Introduction**

We have been instructed by the company to review the financial information for the six months ended 31 July 2006 which comprise the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

**Review work performed**

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

**Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 July 2006.

Deloitte & Touche LLP  
Chartered Accountants  
Birmingham  
4 October 2006

**CONSOLIDATED INCOME STATEMENT**  
**Six months ended 31 July 2006**

	Note	Unaudited Six months ended 31.7.06 £000	Unaudited Six months ended 31.7.05 Restated (note 10) £000	Financial year ended 31.1.06 Restated (note 10) £000
<b>Revenue</b>	2	19,758	19,945	41,275
Cost of sales	3	(5,583)	(5,401)	(13,143)
<b>Gross profit</b>		<b>14,175</b>	<b>14,544</b>	<b>28,132</b>
Administrative expenses		(8,614)	(8,422)	(17,314)
<b>Operating profit</b>		<b>5,561</b>	<b>6,122</b>	<b>10,818</b>
Finance costs		(801)	(841)	(1,694)
<b>Profit before taxation</b>	2	<b>4,760</b>	<b>5,281</b>	<b>9,124</b>
Taxation	4	(1,428)	(1,586)	(2,787)
<b>Profit for the period</b>		<b>3,332</b>	<b>3,695</b>	<b>6,337</b>
<b>Earnings per share basic and diluted</b>	5	<b>28.4p</b>	<b>31.5p</b>	<b>54.0p</b>

All activities and earnings per share derive from continuing operations. There are no recognised gains and losses for the six months ended 31 July 2006 and comparative periods other than the profit for the period and the dividends shown above.

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**

	Unaudited Six months ended 31.7.06 £000	Unaudited Six months ended 31.7.05 £000	Financial year ended 31.1.06 £000
<b>Profit for the Period</b>	3,332	3,695	6,337
Actuarial gain on defined benefit pension scheme	-	-	14
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>	<b>3,332</b>	<b>3,695</b>	<b>6,351</b>

**S&U PLC**  
**CONSOLIDATED BALANCE SHEET**  
**Six months ended 31 July 2006**

	Note	Unaudited3 1.7.06 £000	Unaudited3 1.7.05 Restated (note 10) £000	31.1.06 Restated (note 10) £000
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment		2,320	2,364	2,283
Amounts receivable from customers	7	20,931	17,080	19,807
Deferred tax asset		27	-	27
Derivative financial instrument		40	-	-
		<u>23,318</u>	<u>19,444</u>	<u>22,117</u>
<b>Current assets</b>				
Inventories		120	111	81
Amounts receivable from customers	7	44,896	43,871	44,375
Trade and other receivables		846	681	619
Current income tax assets		-	2,093	1,427
Cash and cash equivalents		18	24	11
		<u>45,880</u>	<u>46,780</u>	<u>46,513</u>
<b>Total assets</b>		<u>69,198</u>	<u>66,224</u>	<u>68,630</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdrafts and loans		(8,074)	(6,950)	(8,214)
Trade and other payables		(863)	(1,284)	(953)
Tax liabilities		(225)	(199)	(198)
Accruals and deferred income		(1,343)	(1,341)	(1,303)
		<u>(10,505)</u>	<u>(9,774)</u>	<u>(10,668)</u>
<b>Non current liabilities</b>				
Bank loans		(20,000)	(20,000)	(20,000)
Retirement benefit obligation		-	(23)	-
Deferred tax liabilities		-	(83)	-
Financial liabilities		(450)	(450)	(450)
Derivative financial instrument		-	-	(19)
		<u>(20,450)</u>	<u>(20,556)</u>	<u>(20,469)</u>
<b>Total liabilities</b>		<u>(30,955)</u>	<u>(30,330)</u>	<u>(31,137)</u>
<b>NET ASSETS</b>		<u>38,243</u>	<u>35,894</u>	<u>37,493</u>
<b>Equity</b>				
Called up share capital		1,667	1,667	1,667
Share premium account		2,136	2,136	2,136
Profit and loss account		34,440	32,091	33,690
<b>TOTAL EQUITY</b>	8	<u>38,243</u>	<u>35,894</u>	<u>37,493</u>

**S&U PLC**  
**CONSOLIDATED BALANCE SHEET**  
**Six months ended 31 July 2006**

These interim statements were approved by the Board of Directors on 4 October 2006. Signed on behalf of the Board  
of Directors D M COOMBS AMV COOMBS Directors

**CONSOLIDATED CASH FLOW STATEMENT**  
**Six months ended 31 July 2006**

	Note	Unaudited Six months ended 31.7.06 £000	Unaudited Six months ended 31.7.05 £000	Financial year ended 31.1.06 £000
<b>Net cash from operating activities</b>	9	3,023	1,726	1,657
<b>Cash flows from investing activities</b>				
Proceeds on disposal of property, plant and equipment		38	50	125
Purchases of property, plant and equipment		<u>(332)</u>	<u>(343)</u>	<u>(569)</u>
Net cash used in investing activities		<u>(294)</u>	<u>(293)</u>	<u>(444)</u>
<b>Cash flows from financing activities</b>				
Dividends paid		(2,582)	(2,582)	(3,639)
Net (decrease)/increase in overdraft		<u>(140)</u>	<u>1,159</u>	<u>2,423</u>
Net cash used in financing activities		<u>(2,722)</u>	<u>(1,423)</u>	<u>(1,216)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		7	10	(3)
<b>Cash and cash equivalents at the beginning of the period</b>		<u>11</u>	<u>14</u>	<u>14</u>
<b>Cash and cash equivalents at the end of the period</b>		<u>18</u>	<u>24</u>	<u>11</u>
Cash and cash equivalents comprise				
Cash		<u>18</u>	<u>24</u>	<u>11</u>

**NOTES TO THE INTERIM STATEMENTS**

**Six months ended 31 July 2006**

**1. ACCOUNTING POLICIES**

1.1 General Information

S&U plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in note 11 which is also the group's principal business address. All operations are situated in the United Kingdom.

1.2 Basis of preparation

As a listed company we are now required to prepare our consolidated financial statements in accordance with international financial reporting standards (IFRS) as endorsed by the European Union. The date of transition to IFRS for S&U plc was 1<sup>st</sup> February 2004.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments to fair value. The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the six months ended 31<sup>st</sup> July 2006. The financial information contained in this interim financial report does not constitute a set of statutory accounts and is unaudited, but subject to a review opinion.

1.3 Revenue recognition

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

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

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

1.4 Amounts receivable from customers

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

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

**NOTES TO THE INTERIM STATEMENTS**

**Six months ended 31 July 2006**

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Certain freehold property is held at previous revalued amounts less accumulated depreciation as the group has elected to use these amounts as the deemed cost as at the date of transition to IFRS under the transitional arrangements of IFRS 1.

Depreciation is provided on the cost or valuation of property, plant and equipment in order to write such cost or valuation over the expected useful lives as follows;

Freehold Buildings	2% per annum straight line
Computers	20% per annum straight line
Fixtures and Fittings	10% per annum straight line or 20% per annum reducing balance
Motor Vehicles	25% per annum reducing balance

1.6 Inventories

Inventories are stated at the lower of cost or net realisable value.

1.7 Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.8 Preference Shares

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

1.9 Pensions

The group contributes to a defined benefit pension scheme. The defined benefit pension liability at the balance sheet date is calculated as the present value of the defined benefit obligation less the fair value of the plan assets.

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

1.10 Leases

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

1.11 Investments

**NOTES TO THE INTERIM STATEMENTS**  
**Six months ended 31 July 2006**

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

1.12 Derivative financial instruments

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

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

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

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

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

1.13 Critical accounting judgements and key sources of estimation uncertainty

The key accounting judgements which the directors have made in the process of applying the group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements are the judgements relating to impairment and revenue recognition in 1.4 above. The directors consider that there are no key sources of estimation uncertainty other than those inherent in the consumer credit market in which we operate.

## NOTES TO THE INTERIM STATEMENTS

## Six months ended 31 July 2006

## 2. ANALYSES OF REVENUE AND PROFIT BEFORE TAXATION

All operations are situated in the United Kingdom. Analyses by class of business of revenue and profit before taxation are stated below:

Class of business	← Revenue →		
	Six months ended 31.7.06 £000	Six months ended 31.7.05 Restated (note 10) £000	Financial year ended 31.1.06 Restated (note 10) £000
Consumer credit, rentals and other retail trading	13,871	14,255	30,099
Car finance	5,887	5,690	11,176
	<u>19,758</u>	<u>19,945</u>	<u>41,275</u>

Class of business	← Profit before taxation →		
	Six months ended 31.7.06 £000	Six months ended 31.7.05 £000	Financial year ended 31.1.06 £000
Consumer credit, rentals and other retail trading	3,560	4,092	6,887
Car finance	1,200	1,189	2,237
	<u>4,760</u>	<u>5,281</u>	<u>9,124</u>

## 3. COST OF SALES

	Six months ended 31.7.06 £000	Six months ended 31.7.05 Restated (note 10) £000	Financial year ended 31.1.06 Restated (note 10) £000
Loan loss provisioning charge	4,205	3,979	9,684
Other cost of sales	1,378	1,422	3,459
	<u>5,583</u>	<u>5,401</u>	<u>13,143</u>

## 4. TAXATION

The actual tax charge for the period has been calculated by applying the estimated effective tax rate for the year of 30.0% (31<sup>st</sup> July 2005 30.0%) to the profit before taxation for the six months.

**NOTES TO THE INTERIM STATEMENTS****Six months ended 31 July 2006****5. EARNINGS PER ORDINARY SHARE**

The calculation of earnings per Ordinary share is based on profit for the period of £3,332,000 (for the period ended 31 July 2005 - £3,695,000 and the year ended 31 January 2006 - £6,337,000).

The number of shares used in the calculation is the average number of shares in issue during the period of 11,737,228 (for the period ended 31 July 2006 and the year ended 31 January 2006 – 11,737,228).

Diluted earnings per share is the same as basic earnings per share as there are no dilutive shares.

**6. DIVIDENDS**

The directors have declared an interim dividend of 9p per share (2005: 9p per share). The dividend, which amounts to approximately £1,056,000 (July 2005: £1,056,000), will be paid on 10 November 2006 to shareholders on the register at 13 October 2006. The shares will be quoted ex dividend on 11 October 2006. The interim financial information does not include this proposed dividend as it was declared after the balance sheet date.

The final dividend paid during the period for the year ended 31 January 2006 amounted to £2,583,000 (2005: £2,583,000) being 22.0p per ordinary share (2005:22.0p).

**7. ANALYSIS OF AMOUNTS RECEIVABLE FROM CUSTOMERS**

All operations are situated in the United Kingdom.

	← Amounts Receivable →		
	Six months ended 31.7.06 £000	Six months ended 31.7.05 £000	Financial year ended 31.1.06 £000
Class of business			
Consumer credit, rentals and other retail trading	48,424	45,969	48,857
Car finance	40,159	35,306	37,920
	88,583	81,275	86,777
Less: Loan loss provision for consumer credit	(14,089)	(13,802)	(14,661)
Less: Loan loss provision for car finance	(8,667)	(6,522)	(7,934)
	65,827	60,951	64,182
Analysed as:- due within one year	44,896	43,871	44,375
- due in more than one year	20,931	17,080	19,807
	65,827	60,951	64,182

**NOTES TO THE INTERIM STATEMENTS**  
**Six months ended 31 July 2006**

**8. ANALYSIS OF CHANGES IN TOTAL EQUITY**

	<b>Six months ended 31.7.06 £000</b>	<b>Six months ended 31.7.05 £000 Restated (note 10)</b>	<b>Financial year ended 31.1.06 £000 Restated (note 10)</b>
Total recognised income and expense for the period	3,332	3,695	6,351
Dividends paid	(2,582)	(2,582)	(3,639)
Net addition to total equity	750	1,113	2,712
Opening total equity (as previously stated)	35,854	33,142	33,142
Prior period adjustments (note 10)	1,639	1,639	1,639
Closing total equity	<u>38,243</u>	<u>35,894</u>	<u>37,493</u>

**9. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FLOW FROM OPERATING ACTIVITIES**

	<b>Six months ended 31.7.06 £000</b>	<b>Six months ended 31.7.05 £000 Restated (note 10)</b>	<b>Financial year ended 31.1.06 £000 Restated (note 10)</b>
Profit before taxation	<b>4,760</b>	<b>5,281</b>	<b>9,124</b>
Tax paid	-	(1,454)	(2,074)
Depreciation on plant, property and equipment	245	260	477
Loss on disposal on plant, property and equipment	12	26	41
(Increase) in amounts receivable from customers	(1,645)	(2,501)	(5,732)
(Increase)/decrease in inventories	(39)	(20)	10
(Increase)/decrease in trade and other receivables	(227)	36	98
(Decrease) in trade and other payables	(64)	(10)	(353)
Increase in accruals and deferred income	40	108	70
Fair value movement in derivative	(59)	-	19
(Decrease) in retirement benefit obligations	-	-	(23)
Cash flow from operating activities	<u><b>3,023</b></u>	<u><b>1,726</b></u>	<u><b>1,657</b></u>

**NOTES TO THE INTERIM STATEMENTS**  
**Six months ended 31 July 2006**

**10. PRIOR YEAR ADJUSTMENTS**

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

- amended the basis on which the gross-up adjustment to revenue and cost of sales is recognised under IAS 39. As a result, Revenue and Cost of Sales have been reduced by £6.1m in the six months to July 2005 and by £12.2m in the 12 months to January 2006. This adjustment does not affect profit.
- reviewed the classification and measurement of the preference shares. We consider that it is more appropriate to recognise the junior preference shares as a liability measured at amortised cost and the senior preference shares as equity, recognised at par. Financial liabilities have therefore been reduced by £1.6m and called up share capital has been increased by £0.2m as at 31 July 2005 and 31 January 2006. The adjustments increase retained reserves by £1.6m and do not impact the profit for the period.

**11. INTERIM REPORT**

The figures for the year ended 31 January 2006 do not constitute statutory accounts and are extracted from the audited accounts for that period, on which the auditors to the group have issued an unqualified audit report which did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 and which have now been delivered to the Registrar of Companies.

A copy of this Interim Report will be posted to all shareholders and will be made available to the public on our website at [www.suplc.co.uk](http://www.suplc.co.uk) and at the Company's registered office at Royal House, Prince's Gate, Solihull, B91 3QQ.

**S&U PLC**

**NOTES TO THE INTERIM STATEMENTS**  
**Six months ended 31 July 2006**