S&U Est 1938

the credit you deserve

Annual Report and Accounts **2009**

09

We are the United Kingdom's foremost niche consumer and finance provider.

Our mission is simply to provide our customers with the country's best consumer and motor finance service. That means responding quickly to our customer's demands, and maintaining the quality of our book debt to protect our long-term customer relationships. The emphasis on a personal relationship between customers and representative is central to S&U's philosophy.

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Financial Highlights

"Stable profit and trading, good cash generation and renewed medium term funding provide a solid platform for future growth".

- Profit before tax and exceptional items maintained at £8.6m (2008 – £8.6m).
- Group gearing reduced to 72% (2008 – 74%).
- Renewed bank facilities of £37m, £31m drawn down at period end.

	2009 £000	2008 £000
Revenue	46,182	45,978
Operating Profit	10,131	10,876
Profit Before Taxation	8,263	8,578
Earnings Per Ordinary Share	50.1p	50.8p
Dividend Per Ordinary Share Interim Paid And Final Proposed	32.0p	32.0p

Financial Calendar

Annual General Meeting			22 May 2009
Announcement of results	Half year ending 31 July 2009		September 2009
	Year ending 31 January 2010		April 2010
Payment of dividends	6% Cumulative Preference shares		30 September 2009 & 31 March 2010
	31.5% Cumulative Preference shares		31 July 2009 & 31 January 2010
	Ordinary shares	– 2009 Final	5 June 2009
		Record Date	15 May 2009
		Ex-dividend Date	13 May 2009
		– 2010 Interim	November 2009

Chairman's Statement

> "Solid results and strengthened financial position provide an excellent platform for growth."

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.

> **“Loansathome4u home credit – profitable, cash generative and an expanding customer base.”**

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.

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.

Operating Results

	Year Ended 31 January 2009 £m	Year Ended 31 January 2008 £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

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 and 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

Chairman's Statement *(continued)*

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.

> **"Ninth successive year of profit growth at Advantage."**

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.

Anthony Coombs
Chairman
31 March 2009

Officers and Professional Advisers

Directors

A M V Coombs MA (Oxon)	(Chairman)
G D C Coombs MA (Oxon) MSc (Lon)	(Deputy Chairman)
C Redford ACA	(Finance Director)
J G Thompson	
M Mullins	
M F Hepplewhite LLB (Hons) FCA	(Non-executive)
D Markou MBE FCA	(Non-executive)
K R Smith	(Non-executive)
F Coombs BA (Lon) MSc (Lon)	(Non-executive)

Secretary

C Redford ACA

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Tel: 0208 639 3039

Bankers

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Birmingham B2 4JU

Royal Bank of Scotland
5th Floor
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Birmingham
B3 2RB

Media and Investor Relations

Smithfield Financial Ltd
78 Cowcross St
London EC1M 6HE

Solicitors

DLA
Victoria Square
Birmingham B2 4DL

Stockbrokers

Charles Stanley
25 Luke Street
London EC2A 4AR

Auditors

Deloitte LLP
Chartered Accountants
Birmingham

Directors' Biographies

Anthony M V Coombs MA (Oxon) (Aged 56)
(Chairman)
(Nominations Committee)

Joined S&U in 1975 and was appointed Managing Director in 1999 and was then appointed Chairman in 2008. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. Serves on the Executive of the Consumer Credit Association and chairs its Public Relations Committee and is a director of a number of companies and charities including chairing the trustees of the National Institute for Conductive Education.

Graham D C Coombs MA (Oxon) MSc (Lon)
(Aged 56)
(Deputy Chairman)

Joined S&U plc after graduating from London Business School in 1976. He is responsible for the subsidiary, S D Taylor Limited and for property matters. He was appointed Deputy Chairman in 2008.

Chris Redford ACA (Aged 44)
(Group Finance Director)

A Chartered Accountant with over 10 years business experience in the Fast Moving Consumer Goods, food and travel sectors prior to his appointment as Finance Director of Advantage Finance in 1999. Following a successful start up period for Advantage he was appointed as Group Finance Director with effect from 1 March 2004.

Guy Thompson (Aged 53)

Guy joined the Group in 1999 as Managing Director of Advantage Finance and has overseen an excellent performance in their first 9 years. Guy has a strong track record in the finance and motor sectors and since his appointment brings these skills to the Board of S&U plc.

Mike Mullins (Aged 51)

Mike joined S&U in 1997 and started out as an agent in the then Newton Abbot branch covering Torbay, after 9 months taking over as branch manager of the same branch. He then moved through different ranks of management overseeing all branch areas covered by S&U, to reach his present position as General Manager since 2003.

Mark Hepplewhite LLB (Hons) FCA (Aged 48)
(Non-executive)
(Nominations, Audit and
Remuneration Committees)

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 (Aged 65)
(Non-executive)
(Nominations, Audit and
Remuneration Committees)

A Chartered Accountant with over 35 years experience in public practice in Birmingham and director of many private companies. He has extensive commercial and political experience.

Keith R Smith (Aged 70)
(Non-executive)
(Nominations, Audit and
Remuneration Committees)

A former member of The Stock Exchange and a principal in stockbroking firms for more than 30 years. He has been a director of a number of public and private companies.

Fiann Coombs BA (Lon) MSc (Lon) (Aged 40)
(Non-executive)

An economic analyst. He has conducted a six-months' review of the company's operations.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 January 2009.

Principal activities

The principal activity of the Group continues to be that of consumer credit and car finance throughout England, Wales and Scotland.

Business review, results and dividends

A review of developments during the year together with key performance indicators and future prospects is given in the chairman's statement on page 2. The only significant post balance sheet event to report is that subsequent to 31 January we have replaced a £4m overdraft facility and £10m of our bank loans due to mature in 2009 with a £2m overdraft facility and a 3 year term loan facility for £12m. The directors consider this to be consistent with our conservative gearing and borrowing strategy.

The Group's profit on ordinary activities after taxation was £5,875,000 (2008 – £5,965,000). Dividends of £3,768,000 (2008 – £3,768,000) were paid during the year.

The directors recommend a final dividend, subject to shareholders approval of 23.0p per share (2008 – 23.0p). This, together with the interim dividend of 9.0p per share (2008 – 9.0p) paid during the year, makes a total dividend for the year of 32.0p per share (2008 – 32.0p).

Directors and their interests

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

	At 31 January 2009		At 31 January 2008	
	31.5% Preference Shares	**Ordinary Shares**	31.5% Preference Shares	Ordinary Shares
A M V Coombs	**–**	**546,330**	–	546,330
G D C Coombs	**–**	**567,970**	–	566,970
M F Hepplewhite	**–**	**17,000**	–	7,000
K R Smith	**–**	**25,000**	–	25,000
D Markou	**–**	**2,000**	–	2,000
F Coombs	**–**	**33,550**	–	33,550
J G Thompson	**–**	**–**	–	–
M J Mullins (Appointed 5/9/08)	**–**	**–**	–	–
C H Redford	**–**	**–**	–	–

Mr D M Coombs also served as a director during the year before his retirement as Chairman and resignation as a director on 16 May 2008.

9,500 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 2009 and 31 March 2009.

In addition, 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 2009 (2008 – 298,048). During the year the company obtained supplies at market rates amounting to £20,452 (2008 £8,678) from Grevayne Properties Limited. The amount due to Grevayne Properties Limited at the year end was £nil (2008 £nil). During the year Mr A Coombs purchased a vehicle from the company for £36,000 being a fair estimate of market value. During the year Mr M Mullins also purchased a vehicle from the company for £10,500 being a fair estimate of market value.

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

In accordance with the Company's Articles of Association Mr M J Mullins offers himself for election and Messrs A M V Coombs, Demetrios Markou and K R Smith 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.

Each of the persons who is a director at the date of approval of the annual report confirms that; so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

Substantial shareholdings

At 31 March 2009, 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
D M Coombs	2,856,928	24.3%
Wiseheights Limited	2,420,000	20.6%
C K Coombs	1,846,129	15.7%

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. Newsletters are sent out to each employee at least twice per year to keep employees informed of the progress of the business as well as regular memos to the branches in respect of new initiatives.

Principal risks and uncertainties

The Group is involved in the provision of consumer credit and a key risk for the Group is the credit risk inherent in amounts receivable from customers which is principally controlled through our credit control policies supported by ongoing reviews for impairment. The Group is also subject to legislative and regulatory change within the consumer credit sector. 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 bank borrowings. More detail of the Group's financial risk management policies is included in note 23.

Directors' Report *(continued)*

Statement of going concern

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 financial statements. The Group's objectives, policies and processes for managing its capital are described in the notes to the financial statements. 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 also set out in the notes to the financial statements.

The Group has adequate financial resources. As a consequence, the Directors believe that the Group is well placed 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 annual report and accounts.

Environment

The Group recognises the importance of its environmental responsiblities and designs and implements policies to reduce any damage that might be caused by the Group's activities.

Political and charitable contributions

During the year the company and the Group made contributions to a number of local charities of £4,113 (2008 – £1,850). No political contributions were made.

Creditor payment policy

The Group and the company do not follow any published code of practice but agrees terms and conditions with its 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 2009 were 40 days (2008 – 52 days), and trade creditor days for the company were 44 days (2008 – 51 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 LLP 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

C Redford
Secretary
31 March 2009

Report of the Board to the Shareholders on Remuneration Policy

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the company at which the financial statements will be approved.

The Regulations require the auditors to report to the company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the committee are Mr M Hepplewhite, Mr D Markou, and Mr K Smith, who are all independent non-executive directors. The committee is chaired by Mr K Smith.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorship or day-to-day involvement in running the business. The committee makes recommendations to the Board. No director plays a part in any discussions about their own remuneration.

Remuneration policy

The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee and is assessed annually for the following financial period. The remuneration of the non-executive directors is determined by the Board within limits set out in the Articles of Association.

There are four main elements of the remuneration package for executive directors and senior management:

- Basic annual salary (including directors fees);
- Taxable benefits in kind in the main include company car plus related expenses and medical insurance;
- Performance related bonus payments incorporating longer term share option incentives; and
- Pension arrangements.

Basic salary

An executive director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and comparable positions in the financial sector. Executive director's contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Annual bonus payments

The Committee establishes the objectives that must be met for each financial year if a bonus in cash or in share options is to be awarded. In setting appropriate bonus parameters the Committee considers the Group's pre tax profit performance for the year and the appropriate percentage of basic salary to be awarded for each executive. The Committee believes that any incentive compensation awarded should be tied to the interests of the company's shareholders and that the principle measure of those interests is in total shareholder return. The strategic objectives, control system and indicators are also aligned to total shareholder return. The executive directors were not awarded bonuses in 2008 with the exception of a £10,000 bonus paid to Mr J G Thompson and a £5,000 bonus paid to Mr C H Redford. There will also be no bonus paid in respect of the year ended January 2009 with the exception of a £15,000 bonus paid to Mr J G Thompson and a £5,000 bonus paid to Mr C H Redford.

Pension arrangements

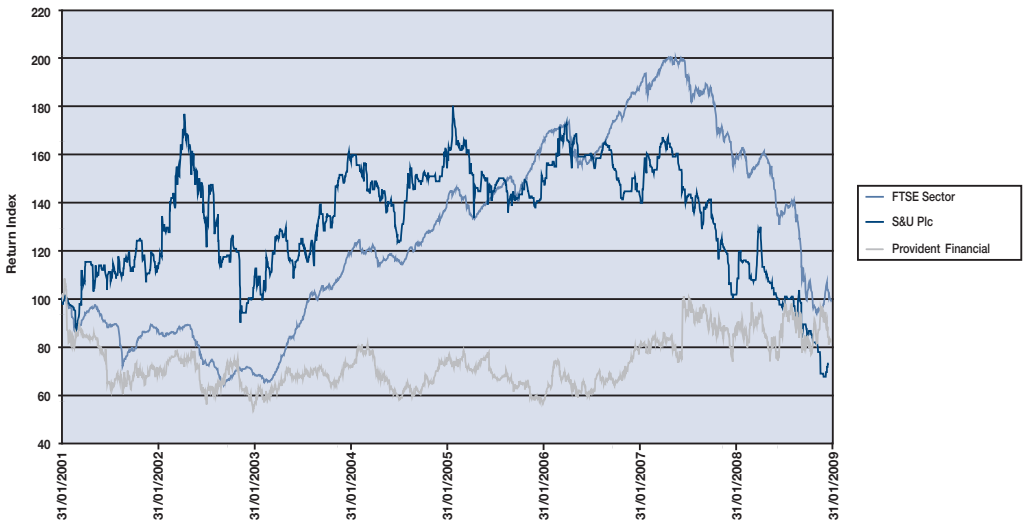
The company makes contributions to a defined contribution pension scheme in respect of A M V Coombs, G D C Coombs, J G Thompson, M Mullins and C H Redford. None of the directors has accrued benefit under the defined benefit scheme.

Report of the Board to the Shareholders on Remuneration Policy *(continued)*

Performance graph

The following graph shows the company's performance, measured by total shareholder return, compared with the performance of the FTSE Speciality and Other Financial Services Index also measured by total shareholder return. The performance has also been benchmarked against Provident Financial a leading competitor. These comparators have been selected since they illustrate S&U's relative performance within their sector.

5 Year Return Index for FTSE Speciality and other Financial Services Sector as at 31 January 2009



Directors' contracts

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice.

A M V Coombs and G D C Coombs have rolling 12 month contracts. In the event of early termination, the directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-executive directors

It is company policy that non-executive directors are not granted service contracts. All non-executive directors have specific terms of engagement and their remuneration is determined by the Board based on independent surveys of fees paid to non-executive directors of similar companies. The basic fee paid to each non-executive director in the year was £22,500. Non executives are not eligible to join the company's pension scheme.

AUDITED INFORMATION

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2009 £000	2008 £000
Emoluments	1,004	1,077
Money purchase pension contributions	104	82
	1,108	1,159

Directors' emoluments

	Fees £000	Salaries £000	Bonus £000	Benefits in kind £000	**Total 2009 £000**	Total 2008 £000
Executive directors						
A M V Coombs	22	201		34	**257**	238
G D C Coombs	22	183		2	**207**	194
C H Redford	22	83	5	18	**128**	122
J G Thompson	22	132	15	22	**191**	182
M Mullins (appointed 5.9.08)	9	40			**49**	–
D M Coombs (retired 16.5.08)	7	63	10	5	**85**	274
Non-executive directors						
M F Hepplewhite	22				**22**	17
D Markou	21				**21**	16
K R Smith	22				**22**	17
F Coombs	22				**22**	17
	191	702	30	81	**1,004**	1,077

In addition to the above, on 16 May 2008 after 30 years serving as Chairman of the company, Mr D M 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.

Directors' pension entitlements

5 directors are members of money purchase schemes (2008:4). Total contributions paid by the company in respect of such directors are shown on the previous page.

Share option scheme

Further to shareholder approval at the AGM in May 2008, the company has introduced the S&U plc 2008 Discretionary Share Option Plan. Under the plan, annual awards of share options may be granted with an exercise price equal to the market value of the shares at the date of grant. The Plan allows for the grant of options over shares worth up to a maximum of twenty-five (25) per cent of salary in any year (although grants under the UK Approved Addendum will be subject to the relevant statutory limit of £30,000). In exceptional circumstances the Board may, at its discretion, grant higher awards of up to fifty (50) per cent of base salary. It is expected that options will be granted on an annual basis but will only be granted if performance conditions based on the company's and individual performance have been satisfied. The performance conditions that will apply to the grant of an Option are determined by the company on an annual basis and will be regularly reviewed to determine whether they are appropriate for the company. The participants will not be entitled to exercise their options for a period determined by the Committee which is generally no earlier than three years from the date of award. The vesting of awards at the end of the three year period will not be subject to further performance conditions but will be subject to the relevant participant remaining in employment.

Awards held under the S&U plc 2008 Discretionary Share Option Plan are as follows

	Date of Grant	**Awards: Number of Share Options held at 31.1.2009**	**Exercise Price**	**Earliest Vesting Date**	**Expiry Date**
C H Redford	17.6.2008	4,000	382.5p	17.6.2011	17.6.2018
J G Thompson	17.6.2008	6,000	382.5p	17.6.2011	17.6.2018
		10,000			

Approval

This report was approved by the Board of Directors on 31 March 2009 and signed on its behalf by:

Keith Smith

Corporate Governance

In July 2003 the FRC Combined Code was issued by the London Stock Exchange and was updated in June 2008. The Code sets out Provisions for Good Corporate Governance along with a series of supporting principles. Section 1 of the Code is applicable to listed companies.

A narrative statement on how the company has applied the Provisions 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 Code Provisions, which are split into three areas in this report, "Directors", "Relations with Shareholders" and "Accountability and Audit". The current position of the company in each area is described below.

Directors

During the period under review, the company was controlled through the Board of Directors which comprised five executive and four non-executive directors. 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. He is also responsible for co-ordinating the company's business and implementing Group strategy. The Chairman and Deputy Chairman 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 the 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 considers the performance of the directors and committees on an ongoing basis, and the contributions of individuals to their roles.

The Board has established a Nominations Committee, an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. 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. Terms of reference for the committees are available from S&U plc head office.

Mr K R Smith, Mr M F Hepplewhite and Mr D Markou have served as non executive directors on the Board for 9 years. Notwithstanding this length of service the Board considers them to be independent owing to their robust judgement and character. In addition their financial, business and stockmarket training and experience are considered invaluable to the Board at this stage of the Group's development. The Board has designated Mr K R Smith as senior independent director. The Board has considered the balance between the independent and non-independent directors and considers it to be satisfactory. The Board has and will consider the composition of committees on an ongoing basis. The Nominations Committee is composed of Mr K R Smith who also chairs this committee, together with the other two independent non-executive directors and Mr A M V Coombs. The Audit Committee is composed of the three independent non-executive directors. The Remuneration Committee is composed of the same three independent non-executive directors. Chairmen of these committees are appointed from among the members. The Chairman of the Audit Committee is Mr M F Hepplewhite and the Chairman of the Remuneration Committee is Mr K R Smith.

The work of the nominations committee is to regularly review the size, structure and composition of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary, including the process and advertising in respect of Board appointments. Terms of reference for the nomination committee are available on our website www.suplc.co.uk.

Mr M Mullins is proposed for election and Mr A M V Coombs, Mr D Markou and Mr K R Smith are proposed for re-election at the next annual general meeting. Mr D Markou and Mr K R Smith are non-executive directors and the Chairman has determined Mr Markou and Mr Smith's performances to be both effective and committed.

Meeting Attendance	Board	Nominations	Remuneration	Audit
Number of meetings	**5**	**2**	**3**	**3**
D M Coombs (retired 16.5.08)	2			
A M V Coombs	5	2		
G D C Coombs	5			
M F Hepplewhite	5	2	3	3
K R Smith	5	2	3	3
D Markou	5	2	3	3
F Coombs	5			
J G Thompson	5			
M Mullins (appointed 5.9.08)	2			
C H Redford	5			

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 are 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 and the members of the Board obtain regular feedback from major shareholders and discuss this at Board meetings.

Accountability and Audit

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Chairman's Report. The Board uses this, together with the Chairman's Statement and the Directors' Report within pages 8 to 10, 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 17 and those of the auditors on page 18.

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.

The review of the Group's internal control system is ongoing. 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 does not consider there is a need for a formal independent internal audit function due to the size of the Group.

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the company. The process has been in place for the year under review and up to the date of approval of the report and accounts. The process is regularly reviewed by the Board and accords with the revised guidance in the Combined Code.

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.

Corporate Governance *(continued)*

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 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.

Relationship with Auditors

The Audit Committee has specific terms of reference which deal with its authority and duties. It meets at least three times a year with the external auditors attending by invitation in order that the Committee can review the external audit process and results. The Committee overviews the monitoring of the adequacy of the Group's internal controls and whistleblowing procedures, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the non-executive directors. The Committee assists the Board in discharging its duties to ensure the financial statements meet legal requirements, and also reviews the independence of the external auditors. Independence of the external auditors has been assessed through examination of the nature and value of non-audit services performed during the year.

Compliance statement

Throughout the year ended 31 January 2009 the company has been in compliance with the Code Provisions set out in Section 1 of the June 2006 FRC Combined Code on Corporate Governance except for the following matters:

Section A.4.1 of the Code which requires that the nominations committee is made up of a majority of independent non-executive directors. The committee for the first 2 months of the financial year ended 31 January 2009 comprised the Chairman, the Managing Director and the Senior Independent Director which was considered appropriate by the Board given the size, nature and structure of the company. In April 2008 the composition of this committee was revised and now comprises Mr A M V Coombs and the three independent non-executive directors which ensures the company now complies with section A.4.1.

Section A.2 of the Code requires that the roles of Chairman and Chief Executive should not be exercised by the same individual and that a Chief Executive should not go on to be Chairman of the same company. In May 2008, Mr A M V Coombs previously Chief Executive of the company was appointed Chairman upon the retirement of Mr D M Coombs. After careful consideration of this option and other options for this appointment and after consultation with the major shareholders, the Nomination Committee and the Board considered that this appointment was the best option given the size, nature and structure of the company.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards as adopted by the European Union (IFRSs) and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors responsibility statement

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the management report, which is incorporated into the directors' report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

C Redford
Secretary
31 March 2009

Independent Auditors' Report

To the members of S&U Plc

We have audited the Group and parent company financial statements (the "financial statements") of S&U plc for the year ended 31 January 2009 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements, the Group and company Statements of Recognised Income and Expense and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Chairman's Statement, the Managing Director's Report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Managing Director's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Chairman's Statement, the Managing Director's Report and the Directors' Report 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. Our responsibilities do not extend to any further information outside the Chairman's Statement, the Managing Director's Report and the Directors' Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, 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 and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2009 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 January 2009;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 January 2009 and of its profit for the year then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, UK
31 March 2009

Group 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		**30,016**	30,284
Administrative expenses		**(19,585)**	(19,408)
Exceptional remuneration	5	**(300)**	–
Operating profit		**10,131**	10,876
Finance costs	7	**(1,868)**	(2,298)
Profit before taxation	2	**8,263**	8,578
Taxation	8	**(2,388)**	(2,613)
Profit for the year		**5,875**	5,965
Earnings per share basic and diluted	11	**50.1p**	50.8p

All activities derive from continuing operations.

Statement of Recognised Income and Expense

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Profit for the year	**5,875**	5,965	**16,831**	4,400
(Loss)/gain on cash flow hedge	**(814)**	–	**(814)**	–
Actuarial (loss)/gain on defined benefit pension scheme	**(24)**	(18)	**(24)**	(18)
Credit for future cost of share based payments	**2**	–	**2**	–
Tax credit on items taken directly to equity	**228**	–	**228**	–
Total recognised income for the year attributable to equity holders of the parent	**5,267**	5,947	**16,223**	4,382

Balance Sheet

31 January 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
ASSETS					
Non current assets					
Property, plant and equipment	12	1,889	2,233	1,135	702
Investments	13	–	–	2,432	2,893
Amounts receivable from customers	14	26,413	24,784	132	148
Retirement benefit asset	27	35	40	35	40
Deferred tax assets	19	168	–	193	27
		28,505	27,057	3,927	3,810
Current assets					
Inventories	15	96	155	96	34
Amounts receivable from customers	14	51,039	50,110	19,866	12,998
Trade and other receivables	16	408	663	24,474	20,619
Cash and cash equivalents		12	11	7,143	574
		51,555	50,939	51,579	34,225
Total assets		80,060	77,996	55,506	38,035
LIABILITIES					
Current liabilities					
Bank overdrafts and loans	17	(15,330)	(9,683)	(10,000)	–
Trade and other payables	18	(1,426)	(938)	(950)	(270)
Current tax liabilities		(1,393)	(1,565)	(410)	(287)
Accruals and deferred income		(828)	(1,360)	(178)	(455)
Derivative financial instruments	23	(530)	–	(530)	–
		(19,507)	(13,546)	(12,068)	(1,012)
Non current liabilities					
Bank loans	17	(16,000)	(21,600)	(16,000)	(20,000)
Deferred tax liabilities	19	–	(80)	–	–
Financial liabilities	21	(450)	(450)	(450)	(450)
Derivative financial instruments	23	(321)	(37)	(321)	(37)
		(16,771)	(22,167)	(16,771)	(20,487)
Total liabilities		(36,278)	(35,713)	(28,839)	(21,499)
NET ASSETS		43,782	42,283	26,667	16,536
Equity					
Called up share capital	20	1,667	1,667	1,667	1,667
Share premium account	22	2,136	2,136	2,136	2,136
Profit and loss account	22	39,979	38,480	22,864	12,733
Total equity	22	43,782	42,283	26,667	16,536

These financial statements were approved by the Board of Directors on 31 March 2009

Signed on behalf of the Board of Directors

A M V Coombs
G D C Coombs } *Directors*

Cash Flow Statement

Year ended 31 January 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Net cash from operating activities	24	**3,864**	4,596	**5,004**	5,625
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		**1,477**	91	**498**	51
Purchases of property, plant and equipment		**(1,619)**	(549)	**(1,165)**	(316)
Net cash used in investing activities		**(142)**	(458)	**(667)**	(265)
Cash flows from financing activities					
Dividends paid		**(3,768)**	(3,768)	**(3,768)**	(3,768)
Issue of new borrowings		**16,000**	1,600	**16,000**	–
Repayment of borrowings		**(10,397)**	–	**(10,000)**	–
Net (decrease)/increase in overdraft		**(5,556)**	(1,964)	**–**	(1,022)
Net cash used in financing activities		**(3,721)**	(4,132)	**2,232**	(4,790)
Net increase/(decrease) in cash and cash equivalents		**1**	6	**6,569**	570
Cash and cash equivalents at the beginning of period		**11**	5	**574**	4
Cash and cash equivalents at the end of period		**12**	11	**7,143**	574
Cash and cash equivalents comprise					
Cash and cash in bank		**12**	11	**7,143**	574

There are no cash and cash equivalent balances which are not available for use by either the Group or the company (2008 – £nil).

Notes to the Accounts

Year ended 31 January 2009

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 on page 6 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 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. We have also prepared our S&U plc company financial statements in accordance with IFRS adopted by the European Union.

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 year ended 31 January 2009.

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1 (Revised) Presentation of Financial Statements

IFRS 2 (Amendment) Share based payment

IFRS 8 Operating Segments

IAS 23 (Amendment) Borrowing Costs

IAS 36 (Amendment) Impairment of Assets

IAS 39 (Amendment) Financial Instruments Recognition and Measurement

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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 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.

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

Notes to the Accounts

Year ended 31 January 2009

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.

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

Freehold Land is not depreciated.

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. Actuarial gains and losses are recognised immediately in the financial statements.

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 Share based payments
The company issues share-based payments under the S&U plc 2008 Discretionary Share Option Plan and the cost of these share based payments is based on the fair value of options granted as required by IFRS 2. This cost is then charged to the income statement over the three year vesting period of the related share options with a corresponding credit to reserves. When any share options are exercised, the proceeds received are credited to share capital and share premium.

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

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

1.13 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 and 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.

1.14 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 revenue recognition and impairment in 1.3 and 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 Accounts *(continued)*

Year ended 31 January 2009

2. Segmental analysis

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

	Revenue		Profit before taxation	
	Year ended 31 January 2009	Year ended 31 January 2008	Year ended 31 January 2009	Year ended 31 January 2008
Class of business	**£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
	46,182	45,978	**8,263**	8,578

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

	Assets		Liabilities	
	Year ended 31 January 2009	Year ended 31 January 2008	Year ended 31 January 2009	Year ended 31 January 2008
Class of business	**£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)
	80,060	77,996	**(36,278)**	(35,713)

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.

The assets and liabilities of the parent company are classified as consumer credit, rentals and other retail trading.

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

3. Revenue

	2009	2008
	£000	£000
Interest income	**43,099**	43,550
Insurance and other commissions and fees	**3,083**	2,428
Total revenue	**46,182**	45,978

4. Cost of sales

	2009 £000	2008 £000
Loan loss provisioning charge – consumer credit	**7,731**	7,822
Loan loss provisioning charge – car finance	**4,785**	4,087
Total loan loss provisioning charge	**12,516**	11,909
Other cost of sales	**3,650**	3,785
Total cost of sales	**16,166**	15,694

5. Information regarding employees

	2009 No.	2008 No.
The average number of persons employed by the Group in the year was:		
Consumer credit, rentals and other retail trading	**318**	317
Car finance	**68**	71
	386	388

	2009 £000	2008 £000
Staff costs during the year (including directors):		
Wages and salaries (including exceptional remuneration 2009)	**8,760**	8,581
Social security costs	**912**	903
Pension costs for money purchase scheme	**202**	199
	9,874	9,683

Directors' remuneration is disclosed in the audited section of the Directors' Remuneration Report.

Exceptional Remuneration

On 16 May 2008 after 30 years serving as Chairman of the company, Mr D M 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.

Notes to the Accounts *(continued)*

Year ended 31 January 2009

6. Operating profit

	2009 £000	2008 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	**514**	478
Staff costs	**9,874**	9,683
Cost of future share based payments	**2**	–
Rentals under operating leases:		
Hire of plant and machinery	**10**	9
Other operating leases	**401**	393
(Profit)/loss on sale of fixed assets	**(28)**	27
Rentals received/receivable under operating leases	**(87)**	(149)

The analysis of auditors' remuneration is as follows:

	2009 £000	2008 £000
Auditors' remuneration for audit fees:		
Fees payable to the group's auditors for the audit of the Group and company annual accounts	**41**	40
Audit of company's subsidiaries pursuant to legislation	**37**	35
Auditors' remuneration for non-audit fees:		
Other services pursuant to legislation	**37**	15
Tax services	**20**	15
Total	**135**	105

The audit fee for the company was £32,000 (2008 – £30,000).

7. Finance costs

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

8. Tax on profit before taxation

	2009 £000	2008 £000
Corporation tax at 28.33% (2008 – 30%) based on the profit for the year	**2,393**	2,663
Adjustment in respect of prior years	**15**	–
	2,408	2,663
Deferred tax (timing differences – origination and reversal)	**(20)**	(50)
	2,388	2,613

The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

	2009 £000	2008 £000
Profit on ordinary activities before tax	**8,263**	8,578
Tax on profit on ordinary activities at standard rate of 28.33% (2008 – 30%)	**2,341**	2,573
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**32**	46
Effects of other tax rates	**–**	(6)
Prior period adjustments	**15**	–
Total actual amount of tax	**2,388**	2,613

The effect of the reduction in the UK corporation tax rate from 30 per cent to 28 per cent from 1 April 2008 has resulted in a change in the standard rate this year which is calculated on a pro rata basis. Deferred tax on the UK timing differences has been calculated at the rate of 28 per cent (2008 – 28 per cent).

Notes to the Accounts *(continued)*

Year ended 31 January 2009

9. 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 £14,507,000 (2008 – £4,400,000).

10. Dividends

	2009 £000	2008 £000
Final paid for the year ended 31/1/2008 – 23.0p per Ordinary share (22.0p)	**2,700**	2,700
Interim paid for the year ended 31/1/2009 – 9.0p per Ordinary share (9.0p)	**1,056**	1,056
Total ordinary dividends paid	**3,756**	3,756
6% cumulative preference dividend paid March and September 2008	**12**	12
Total dividends paid	**3,768**	3,768

The directors are proposing a final dividend for the year ended 31 January 2009 of 23.0p per ordinary share. The dividend will be paid on 5 June 2009 to shareholders on the register at close of business on 15 May 2009 subject to approval by shareholders at the Annual General Meeting on Friday 22 May 2009.

11. 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.

12. Property, plant and equipment

Group	Freehold land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 February 2007	1,156	2,673	1,689	5,518
Additions	–	472	77	549
Disposals	–	(436)	(305)	(741)
At 31 January 2008	1,156	2,709	1,461	5,326
Additions	649	825	145	1,619
Disposals	(1,135)	(1,329)	(306)	(2,770)
At 31 January 2009	**670**	**2,205**	**1,300**	**4,175**
Accumulated depreciation				
At 1 February 2007	276	1,626	1,336	3,238
Charge for the year	19	344	115	478
Eliminated on disposals	–	(318)	(305)	(623)
At 31 January 2008	295	1,652	1,146	3,093
Charge for the year	19	358	137	514
Eliminated on disposals	(191)	(874)	(256)	(1,321)
At 31 January 2009	**123**	**1,136**	**1,027**	**2,286**
Net book value				
At 31 January 2009	**547**	**1,069**	**273**	**1,889**
At 31 January 2008	861	1,057	315	2,233

Included in the above is land at a cost or valuation of £60,000 (2008 – £60,000) which is not depreciated.

Fixed asset disposals and additions include the transfer at net book value of fixed assets from our consumer credit subsidiary Wilson Tupholme Limited to S&U plc and S D Taylor Limited.

Notes to the Accounts *(continued)*

Year ended 31 January 2009

12. Property, plant and equipment (continued)

Company	Freehold land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 February 2007	80	1,131	815	2,026
Additions	–	298	18	316
Disposals	–	(246)	–	(246)
At 31 January 2008	80	1,183	833	2,096
Additions	573	525	67	1,165
Disposals	(299)	(386)	(156)	(841)
At 31 January 2009	**354**	**1,322**	**744**	**2,420**
Accumulated depreciation				
At 1 February 2007	19	718	624	1,361
Charge for the year	1	156	59	216
Eliminated on disposals	–	(183)	–	(183)
At 31 January 2008	20	691	683	1,394
Charge for the year	4	195	72	271
Eliminated on disposals	–	(225)	(155)	(380)
At 31 January 2009	**24**	**661**	**600**	**1,285**
Net book value				
At 31 January 2009	**330**	**661**	**144**	**1,135**
At 31 January 2008	60	492	150	702

Included in the above is land at cost of £22,000 (2008 – £22,000) which is not depreciated.

Fixed asset include the transfer at net book value of fixed assets from our consumer credit subsidiary Wilson Tupholme Limited to S&U plc.

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

	The Group		The Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
	204	243	**98**	62

13. Investments and related party transactions

	January 2009	January 2008
Company	**£000**	£000
Shares in subsidiary companies		
At historic cost less impairment	**2,432**	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
Advantage Finance Limited	Car finance

During the financial year the assets and trade of our consumer credit subsidiary Wilson Tupholme Limited were transferred to S&U plc and S D Taylor Ltd to improve business efficiency – Wilson Tupholme Limited is now dormant. Further to this reorganisation, the historic cost of all the parent company's investments in dormant subsidiaries were reviewed for impairment and written down as per the table above.

Related party transactions

Group

Transactions between the company and its subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note. During the year the Group obtained supplies at market rates amounting to £20,452 (2008 – £8,678) from Grevayne Properties Limited a company which is a related party because Messrs G D C and A M V Coombs are directors and shareholders. The amount due to Grevayne Properties Limited at the year end was £nil (2008 – £nil). During the year the company sold a car to Mr A Coombs for £36,000 being a fair estimate of its market value. During the year the company also sold a car to Mr M Mullins for £10,500 being a fair estimate of its market value. During the year the company also sold vehicles to Mr D M Coombs for £60,592 being a fair estimate of market value. During the year, as president of the company Mr D M Coombs received fees of £106,000. All settled related party transactions were settled in cash.

Company

The company received dividends from other Group undertakings totalling £16,250,000 (2008 – £3,850,000). During the year the company recharged other Group undertakings for various administrative expenses incurred on their behalf. The company also received administrative cost recharges from other Group undertakings. At 31 January 2009 the company was owed £24,325,104 (2008 – £20,414,181) by other Group undertakings and owed £nil (2008 – £7,652). All settled related party transactions were settled in cash.

Notes to the Accounts *(continued)*

Year ended 31 January 2009

14. Amounts receivable from customers

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Consumer credit, rentals and other retail trading	55,003	55,412	29,483	18,455
Car finance hire purchase	50,850	46,365	–	–
	105,853	101,777	29,483	18,455
Less: Loan loss provision consumer credit, rentals and other retail trading	(16,927)	(16,452)	(9,532)	(5,309)
Less: Loan loss provision car finance	(11,474)	(10,431)	–	–
Amounts receivable from customers	77,452	74,894	19,998	13,146
Analysis by future date due				
– due within one year	51,039	50,110	19,866	12,998
– due in more than one year	26,413	24,784	132	148
Amounts receivable from customers	77,452	74,894	19,998	13,146

	The Group		The Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Analysis of security				
Loans secured on vehicles under hire purchase agreements	37,479	33,946	–	–
Loans secured on residential property under 2nd mortgage agreements	1,454	1,870	–	–
Other Loans	38,519	39,078	19,998	13,146
Amounts receivable from customers	77,452	74,894	19,998	13,146
Analysis of overdue				
Not impaired				
Neither past due nor impaired	44,181	41,395	8,468	5,929
Past due up to 3 months but not impaired	14,898	15,621	5,952	3,977
Past due over 3 months but not impaired	8,005	8,262	4,371	2,699
Impaired				
Past due up to 3 months	4,971	4,818	745	412
Past due up to 6 months	2,117	1,823	341	165
Past due over 6 months or default	3,280	2,975	121	45
Amounts receivable from customers	77,452	74,894	19,998	13,146

The credit risk inherent in amounts receivable from customers is reviewed under impairment 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).

14. Amounts receivable from customers (continued)

Analysis of movements on loan loss provisions

	Consumer credit, rentals and other trading £000	Car finance £000	Total £000
Group			
At 1 February 2007	15,459	9,036	24,495
Charge for year	7,822	4,087	11,909
Amounts written off during year	(4,034)	(1,448)	(5,482)
Unwind of discount	(2,795)	(1,244)	(4,039)
At 31 January 2008	16,452	10,431	26,883
Charge for year	7,731	4,785	12,516
Amounts written off during year	(4,329)	(2,438)	(6,767)
Unwind of discount	(2,927)	(1,304)	(4,231)
At 31 January 2009	**16,927**	**11,474**	**28,401**
Company			
At 1 February 2007	5,721	–	5,721
Charge for year	2,054	–	2,054
Amounts written off during year	(1,538)	–	(1,538)
Unwind of discount	(928)	–	(928)
At 31 January 2008	5,309	–	5,309
Charge for year	3,583	–	3,583
Amounts written off during year	(1,954)	–	(1,954)
Unwind of discount	(1,362)	–	(1,362)
At 31 January 2009	**9,484**	**–**	**9,484**

There has been no material change in the average discount rate used for either consumer credit or car finance during the years to 31 January 2007 and 31 January 2008.

15. Inventories

	The Group		The Company	
	2009 £000	2008 £000	**2009** £000	2008 £000
Finished goods and goods for resale	**96**	155	**96**	34

Notes to the Accounts *(continued)*

Year ended 31 January 2009

16. Trade and other receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Amounts owed by subsidiary undertakings	**–**	–	**24,325**	20,414
Other debtors	**106**	421	**41**	157
Prepayments and accrued income	**302**	242	**108**	48
	408	663	**24,474**	20,619

All the above amounts fall due within one year.

17. Bank overdrafts and loans

	The Group		The Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Bank overdrafts and loans – due within one year	**15,330**	9,683	**10,000**	–
Bank loan – due in more than one year	**16,000**	21,600	**16,000**	20,000
	31,330	31,283	**26,000**	20,000

S&U plc had the following overdraft facilities available at 31 January 2009:

– a facility for £6 million (2008 – £10m) was reviewed in April 2008 and is subject to annual review.

– a facility for £4 million (2008 – £4m) was reviewed in January 2009 and is subject to annual review.

– a facility for £0.5 million (2008 – £0.5m) was reviewed in January 2009 and is subject to annual review.

– a facility for £0.2 million (2008 – £0.2m) was reviewed in January 2009 and is subject to annual review.

Total drawdowns of these overdraft facilities at 31 January 2009 were £4.1m.

The bank overdraft and loans are secured over the assets of the Group under a multilateral guarantee.

The company is part of the Group overdraft facility but at 31 January 2009 had £7,136,000 cash in bank.

A maturity analysis of the above borrowings is given in note 23.

After the year end S&U plc replaced the £4m overdraft facility and £10m of its bank loans due to mature in 2009 with a £2m overdraft facility and a £12m three year term loan facility due to mature in 2012.

18. Trade and other payables

	The Group		The Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Trade creditors	**568**	466	**374**	123
Amounts owed to subsidiary undertakings	**–**	–	**–**	7
Other creditors	**858**	472	**576**	140
	1,426	938	**950**	270

19. Deferred tax

Group	Accelerated tax depreciation £000	Revaluation of property £000	Derivative financial instrument £000	Retirement benefit obligations £000	Tax losses £000	Total £000
At 1 February 2007	46	(136)	(28)	(12)	–	(130)
(Debit)/credit to income	2	9	38	1	–	50
At 31 January 2008	48	(127)	10	(11)	–	(80)
(Debit)/credit to income	10	9	–	1	–	20
(Debit)/credit to equity	–	–	228	–	–	228
At 31 January 2009	**58**	**(118)**	**238**	**(10)**	**–**	**168**
Company	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 February 2007	17	–	(28)	(12)	–	(23)
(Debit)/credit to income	11	–	38	1	–	50
At 31 January 2008	28	–	10	(11)	–	27
(Debit)/credit to income	12	(75)	–	1	–	(62)
(Debit)/credit to equity	–	–	228	–	–	228
At 31 January 2009	**40**	**(75)**	**238**	**(10)**	**–**	**193**

The Group and the company have assessed that all the deferred tax assets and liabilities shown above should be offset for financial reporting purposes.

Deferred tax on the UK timing differences has been calculated at the rate of 28 per cent (2008 – 28 per cent).

Notes to the Accounts *(continued)*

Year ended 31 January 2009

20. Called up share capital and preference shares

	2009 £000	2008 £000
Authorised		
14,400,000 Ordinary shares of 12.5p each	1,800	1,800
200,000 6.0% Cumulative preference shares of £1 each	200	200
Called up, allotted and fully paid		
11,737,228 Ordinary shares of 12.5p each	1,467	1,467
200,000 6.0% Cumulative preference shares of £1 each	200	200
Called up share capital	1,667	1,667

The 6.0% cumulative preference shares enable the holder to receive a cumulative preferential dividend at the rate of 6.0% 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 6.0% cumulative preference shares do not carry voting rights so long as the dividends are not in arrears.

21. Financial liabilities

Preference Share Capital	2009 £000	2008 £000
Authorised		
3,600,756 31.5% Cumulative preference shares of 12.5p each	450	450
Called up, allotted and fully paid		
3,600,756 31.5% Cumulative preference shares of 12.5p each	450	450

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 6.0% cumulative preference shares. The 31.5% cumulative preference shares do not carry voting rights so long as the dividends are not in arrears.

22. Shareholders' funds and statement of changes in equity

Group	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 31 January 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**

Company	£000	£000	£000	£000
At 1 February 2007	1,667	2,136	12,119	15,922
Actuarial loss on pension	–	–	(18)	(18)
Profit for year	–	–	4,400	4,400
Dividends	–	–	(3,768)	(3,768)
At 31 January 2008	1,667	2,136	12,733	16,536
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	–	–	14,507	14,507
Dividends	–	–	(3,768)	(3,768)
At 31 January 2009	**1,667**	**2,136**	**22,864**	**26,667**

Notes to the Accounts *(continued)*

Year ended 31 January 2009

23. Financial instruments

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

The Group and the company'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.

As at 31 January 2009 the Group's indebtedness amounted to £31,780,000 (2008 – £31,733,000) and the company's indebtedness amounted to £26,450,000 (2008 – £20,450,000). The Group gearing was 71.6% (2008 –74.0%), being calculated as net borrowings as a percentage of total equity. The Board is of the view that the gearing level remains conservative, especially for a lending organisation. The table below analyses the Group and company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date (to contractual maturity).

S&U plc has unused borrowing facilities at 31 January 2009 of £6.6 million (2008 – £5.0m). The preference share capital financial liability of £450,000 has no maturity date and is classified as more than five years.

The average effective interest rate on financial assets of the Group at 31 January 2009 was estimated to be 41% (2008 – 43%). The average effective interest rate on financial assets of the company was estimated to be 60% (2008 – 61%). The average effective interest rate of financial liabilities of the Group at 31 January 2008 was estimated to be 6% (2008 – 7%). The average effective interest rate on financial liabilities of the Company at 31 January 2009 was estimated to be 6% (2008 – 7%).

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 1.13 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 £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 within finance costs for the year). This hedge is an interest rate collar and the cash flows forecast to arise under this instrument are £0.5m outflow in the year to 31 January 2010 and £0.3m outflow in the year to 31 January 2011 (2008 – no cash flows forecast). Management have looked at the sensitivity of the fair value of the current interest rate collar to movements in forecast interest rates and assess that any impact on future Group profit and equity caused by such fair value movement is not likely to be material.

Currency and credit risk

The Group has no material exposure to foreign currency risk. Group trade and other receivables and cash are considered to have no material credit risk. The credit risk inherent in amounts receivable from customers is reviewed under impairment as per note 1.4. It should be noted that the credit risk at the individual customer level is limited by strict adherence to credit control rules which are regularly reviewed. The credit risk is also mitigated in the car finance segment of our business by ensuring that the valuation of the security at origination of the loan is within glasses guide and cap limits.

Interest rate risk

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 bank borrowings in accordance with the accounting policy noted in 1.13 above. There is considered to be no material interest rate risk in cash, trade and other receivables, preference shares and trade and other payables.

23. Financial instruments (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at the balance sheet date was outstanding for the whole year.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's;

– profit for the year ended 31 January 2009 would decrease/increase by £0.1m (2008 decrease/increase by £0.1m). This is mainly attributable to the Group's exposure on its variable rate borrowings.

– total equity would decrease/increase by £0.1m (2008 decrease/increase by £0.1m). This is mainly attributable to the Group's exposure on its variable rate borrowings.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's;

– profit for the year ended 31 January 2009 would decrease by £0.1m or increase by £0.2m (2008 decrease by £0.1m or increase by £0.2m). This is mainly attributable to the Group's exposure on its variable rate borrowings.

– total equity would decrease by £0.1m or increase by £0.2m (2008 decrease by £0.1m or increase by £0.2m). This is mainly attributable to the Group's exposure on its variable rate borrowings.

Capital risk management

The Board of Directors assess the capital needs of the Group on an ongoing basis and approve all capital transactions. The Group's objective in respect of capital risk management is to maintain a conservative "Group Gearing" level with respect to market conditions, whilst taking account of business growth opportunites in a capital efficient manner. "Group Gearing" is calculated as the sum of Bank Overdrafts plus Bank Loans (as disclosed within Non Current Liabilities) divided by Total Equity. At 31 January 2009 the Group gearing level was 72% (2008 – 74%) which the directors consider to have met their objective.

External capital requirements are imposed by the FSA on Advantage Finance. Throughout the year this company has maintained a capital base greater than this requirement.

Fair values of financial assets and liabilities

The fair values of amounts receivable from customers, bank loans and overdrafts and other assets and liabilities with the exception of the junior preference share capital are considered to be not materially different from their book values. The junior preference share capital classified as a financial liability is estimated to have a fair value of £1.9m (2008 – £1.9m) but is considered more appropriate under IFRS to be included in the balance sheet at amortised cost. Fair values which are recognised or disclosed in these financial statements are determined in whole or in part using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and based on available observable market data.

Liquidity risk

The Group's liquidity risk is shown in the following tables which measure the cumulative liquidity gap. Most of the Group's financial assets are repayable within one year which together with gearing of less than 80% results in a positive liquidity position. After the year end S&U plc also replaced £10m of its bank loans due to mature in 2009 with a new £12m 3 year term loan facility due to mature in 2012 which further reduces any liquidity risk.

Notes to the Accounts *(continued)*

Year ended 31 January 2009

23. Financial instruments (continued)

Group At 31 January 2009	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
Financial assets	51,039	11,514	14,071	828	–	77,452
Other assets	–	–	–	–	2,596	2,596
Cash at bank and in hand	12	–	–	–	–	12
Total assets	51,051	11,514	14,071	828	2,596	80,060
Shareholders' funds	–	–	–	–	(43,782)	(43,782)
Bank overdrafts and loans	(15,330)	–	(16,000)	–	–	(31,330)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(4,498)	(4,498)
Total liabilities and shareholders' funds	(15,330)	–	(16,000)	(450)	(48,280)	(80,060)
Cumulative gap	35,721	47,235	45,306	45,684	–	–

Group At 31 January 2008	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
Financial assets	50,110	10,811	12,860	1,113	–	74,894
Other assets	–	–	–	–	3,091	3,091
Cash at bank and in hand	11	–	–	–	–	11
Total assets	50,121	10,811	12,860	1,113	3,091	77,996
Shareholders' funds	–	–	–	–	(42,283)	(42,283)
Bank overdrafts and loans	(9,683)	(21,600)	–	–	–	(31,283)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(3,980)	(3,980)
Total liabilities and shareholders' funds	(9,683)	(21,600)	–	(450)	(46,263)	(77,996)
Cumulative gap	40,438	29,649	42,509	43,172	–	–

23. Financial instruments (continued)

Company At 31 January 2009	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
Financial assets	19,866	132	–	–	–	19,998
Other assets	–	–	–	–	28,365	28,365
Cash at bank and in hand	7,143	–	–	–	–	7,143
Total assets	27,009	132	–	–	28,365	55,506
Shareholders' funds	–	–	–	–	(26,667)	(26,667)
Bank overdrafts and loans	(10,000)	–	(16,000)	–	–	(26,000)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(2,389)	(2,389)
Contingent liabilities	(11,263)	–	–	–	–	(11,263)
Total liabilities and shareholders' funds	(21,263)	–	(16,000)	(450)	(29,056)	(66,769)
Cumulative gap	5,746	5,878	(10,122)	(10,572)	(11,263)	(11,263)

Company At 31 January 2008	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
Financial assets	12,998	148	–	–	–	13,146
Other assets	–	–	–	–	24,315	24,315
Cash at bank and in hand	574	–	–	–	–	574
Total assets	13,572	148	–	–	24,315	38,035
Shareholders' funds	–	–	–	–	(16,536)	(16,536)
Bank overdrafts and loans	–	(20,000)	–	–	–	(20,000)
Financial liabilities	–	–	–	(450)	–	(450)
Other liabilities	–	–	–	–	(1,049)	(1,049)
Contingent liabilities	(10,246)	–	–	–	–	(10,246)
Total liabilities and shareholders' funds	(10,246)	(20,000)	–	(450)	(17,585)	(48,281)
Cumulative gap	3,326	(16,526)	(16,526)	(16,976)	(10,246)	(10,246)

Notes to the Accounts *(continued)*

Year ended 31 January 2009

23. Financial instruments (continued)

The gross contractual cash flows payable under financial liabilities are analysed as follows:

Group At 31 January 2009	Repayable on demand £000	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Total £000
Bank overdrafts and loans	4,127	11,203	–	–	–	15,330
Trade and other payables	–	1,426	–	–	–	1,426
Tax liabilities	–	1,393	–	–	–	1,393
Accruals and deferred income	–	828	–	–	–	828
Bank loans	–	–	–	16,000	–	16,000
Deferred tax liabilities	–	–	–	–	–	–
Financial liabilities	–	–	–	–	450	450
Derivative financial instruments	–	530	321	–	–	851
At 31 January 2009	4,127	15,380	321	16,000	450	36,278

Group At 31 January 2008	Repayable on demand £000	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Total £000
Bank overdrafts and loans	9,683	–	–	–	–	9,683
Trade and other payables	–	938	–	–	–	938
Tax liabilities	–	1,565	–	–	–	1,565
Accruals and deferred income	–	1,360	–	–	–	1,360
Bank loans	–	–	21,600	–	–	21,600
Deferred tax liabilities	–	–	80	–	–	80
Financial liabilities	–	–	–	–	450	450
Derivative financial instruments	–	–	–	37	–	37
At 31 January 2008	9,683	3,863	21,680	37	450	35,713

23. Financial instruments (continued)

Company At 31 January 2009	Repayable on demand £000	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Total £000
Bank overdrafts and loans	–	10,000	–	–	–	10,000
Trade and other payables	–	950	–	–	–	950
Tax liabilities	–	410	–	–	–	194
Accruals and deferred income	–	178	–	–	–	178
Bank loans	–	–	–	16,000	–	16,000
Deferred tax liabilities	–	–	–	–	–	–
Financial liabilities	–	–	–	–	450	450
Derivative financial instruments	–	530	321	–	–	851
At 31 January 2009	–	12,068	321	16,000	450	28,839

Company At 31 January 2008	Repayable on demand £000	Less than 1 year £000	More than 1 year but not more than 2 years £000	More than 2 years but not more than 5 years £000	More than 5 years £000	Total £000
Bank overdrafts and loans	–	–	–	–	–	–
Trade and other payables	–	270	–	–	–	270
Tax liabilities	–	287	–	–	–	287
Accruals and deferred income	–	455	–	–	–	455
Bank loans	–	–	20,000	–	–	20,000
Deferred tax liabilities	–	–	–	–	–	–
Financial liabilities	–	–	–	–	450	450
Derivative financial instruments	–	–	–	37	–	37
At 31 January 2008	–	1,012	20,000	37	450	21,499

Notes to the Accounts *(continued)*

Year ended 31 January 2009

24. Reconciliation of operating profit to net cash from operating activities

	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Operating Profit	**10,131**	10,876	**14,885**	4,804
Finance costs paid	**(1,880)**	(2,176)	**(150)**	(137)
Finance income received	**12**	8	**202**	138
Tax paid	**(2,580)**	(1,965)	**(245)**	229
Depreciation on plant, property and equipment	**514**	478	**271**	216
(Profit)/loss on disposal of plant, property and equipment	**(28)**	27	**(37)**	12
(Increase)/decrease in amounts receivable from customers	**(2,558)**	(2,873)	**(6,852)**	263
Decrease in investments	**–**	–	**461**	–
Decrease/(increase) in inventories	**59**	21	**(62)**	17
Decrease/(increase) in trade and other receivables	**255**	121	**(3,855)**	(16)
(Decrease)/increase in trade and other payables	**488**	(40)	**680**	(130)
Increase/(decrease) in accruals and deferred income	**(532)**	137	**(277)**	247
Increase in cost of future share based payments	**2**	–	**2**	–
(Decrease) in retirement benefit obligations	**(19)**	(18)	**(19)**	(18)
Net cash from operating activities	**3,864**	4,596	**5,004**	5,625

25. Financial commitments

Capital commitments

At 31 January 2009 and 31 January 2008, the Group and company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2009 and 31 January 2008, the Group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Land and buildings				
Leases which expire:				
Within one year	**36**	84	**26**	21
Within two to five years	**218**	91	**173**	48
After five years	**–**	16	**–**	–
	254	191	**199**	69
Other				
Leases which expire:				
Within one year	**1**	1	**–**	–
Within two to five years	**6**	8	**–**	–
After five years	**–**	–	**–**	–
	7	9	**–**	–

26. 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 2009 was £11,263,000 (2008 – £10,246,000).

27. Retirement benefit obligations

The company operates a defined benefit scheme in the UK. The plan is funded by payment of contributions to a separate trustee administered fund. The pension cost relating to the scheme is assessed in accordance with the advice of a qualified independent actuary using the attained age method. The last formal valuation was at 31 March 2007. At that valuation it was assumed that future investment returns would be 7.5% per annum, salary increases for active members would be 4.9% per annum and inflation would be 3.4% per annum. The valuation results have been updated on the advice of a qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 January 2009. The last actuarial valuation highlighted that the scheme was in surplus on an ongoing basis with the value of assets being sufficient to cover the actuarial value of accrued liabilities. No contributions are therefore being paid to the scheme at the present time and the estimated amount of contributions expected to be paid into the scheme during the year to 31 January 2010 is £nil.

Disclosures made in accordance with IAS 19

A full actuarial valuation was carried out at 31 March 2007 and updated to 31 January 2009 by a qualified independent actuary. The valuation method used was the attained age method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2009	At year end 31 January 2008
Rate of increase in salaries	**4.5%**	4.9%
Rate of increase in pensions in payment	**3.0%**	3.4%
Discount rate	**6.8%**	6.1%
Inflation assumption	**3.0%**	3.4%

The analysis of the scheme assets and the expected rate of return at the balance sheet date were as follows:

	Expected rate of return at 31 January 2009	**Fair value at 31 January 2009 £000**	Expected rate of return at 31 January 2008	Fair value at 31 January 2008 £000
Equities	**7.9%**	**555**	8.4%	699
Bonds	**6.8%**	**209**	6.1%	286
Cash	**1.0%**	**65**	5.2%	54
Total market value of assets		**829**		1,039

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit schemes is as follows:

	2009 £000	2008 £000
Present value of defined benefit obligations	**794**	999
Fair value of plan assets	**(829)**	(1,039)
Pension (asset)	**(35)**	(40)

Notes to the Accounts *(continued)*

Year ended 31 January 2009

27. Retirement benefit obligations (continued)

	2009 £000	2008 £000
Current service cost	7	8
Interest on obligation	53	52
Expected return on plan assets	(79)	(78)
Net actuarial losses/(gains) recognised in year	–	–
Past service cost	–	–
Restriction of likely surplus asset	–	–
Expense recognised in the income statement	(19)	(18)
Opening net (asset)	(40)	(40)
Expense	(19)	(18)
Contributions paid	–	–
Actuarial loss	24	18
Closing net (asset)	(35)	(40)

The expense credit in both years is shown within administrative expenses.

History of experience adjustments

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Expected return on plan assets	79	78	75	73	73
Actuarial (loss)/gain on plan assets	(234)	(49)	42	40	8
Actual return on plan assets	(155)	29	117	113	81
Movement in present value of obligation					
Present value of obligation at 1 February	999	1,055	1,056	1,050	1,115
Interest cost	53	52	49	55	61
Current service cost	7	8	8	5	5
Other cost	–	–	4	–	–
Benefits paid	(55)	(85)	(82)	(80)	(81)
Actuarial (gain)/loss on obligation	(210)	(31)	20	26	(50)
Present value of obligation at 31 January	794	999	1,055	1,056	1,050
Experience adjustment on scheme liabilities					
Actuarial (gain)/loss as percentage of scheme liabilities	24%	3%	2%	2%	5%
Movement in fair value of plan assets					
Fair value of plan assets at 1 February	1,039	1,095	1,060	1,027	1,027
Expected return on plan assets	79	78	75	73	73
Contributions	–	–	–	–	–
Benefits paid	(55)	(85)	(82)	(80)	(81)
Actuarial (loss)/gain on plan assets	(234)	(49)	42	40	8
Fair value of plan assets at 31 January	829	1,039	1,095	1,060	1,027
Experience adjustment on scheme assets					
Actuarial (loss)/gain as percentage of scheme assets	28%	5%	4%	4%	1%

Five Year Financial Record

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
Operating profit	11,068	10,818	10,469	10,876	**10,131**
Profit before taxation	9,550	9,124	8,930	8,578	**8,263**
Taxation	(2,919)	(2,787)	(2,691)	(2,613)	**(2,388)**
Profit for the year	6,631	6,337	6,239	5,965	**5,875**
Assets employed					
Fixed assets	2,357	2,283	2,280	2,233	**1,889**
Amounts receivable and other assets	61,506	66,347	73,119	75,763	**78,171**
	63,863	68,630	75,399	77,996	**80,060**
Liabilities	(29,282)	(31,137)	(35,295)	(35,713)	**(36,278)**
Total equity	34,581	37,493	40,104	42,283	**43,782**
Earnings per Ordinary share	56.5p	54.0p	53.2p	50.8p	**50.1p**
Dividends declared per Ordinary share	31.0p	31.0p	32.0p	32.0p	**32.0p**
Key ratios					
Return on capital employed	18.2%	16.4%	14.6%	14.8%	**13.5%**
Group gearing	74.6%	75.3%	78.9%	74.0%	**71.6%**

Key ratios have been calculated as follows:

"Return on capital employed" is calculated as Operating Profit divided by the sum of Total Equity plus Bank Overdrafts and Loans in Current Liabilities plus Bank Loans and Financial Liabilities (both as disclosed within Non Current Liabilities).

"Group Gearing" is calculated as the sum of Bank Overdrafts plus Bank Loans (as disclosed within Non Current Liabilities) divided by Total Equity.

Notice of Meeting

Notice is hereby given that the seventy-first Annual General Meeting of S&U Plc will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Friday 22 May 2009 at 11.30am. for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 18 will be proposed as a special resolutions.

Ordinary Resolutions

1. To receive the directors' report and the Company's annual accounts for the year ended 31 January 2009, together with the auditor's report on those accounts and the auditable part of the directors' remuneration report.

2. To approve the directors' remuneration report for the year ended 31 January 2009.

3. To declare a final ordinary dividend for the year ended 31 January 2009 of 23.0 pence per ordinary share in the capital of the Company, to be paid on 5 June 2009 to shareholders whose names appear on the register at close of business on 15 May 2009.

4. To re-elect as a director Mr M Mullins (Aged 51).

5. To re-elect as a director Mr A M V Coombs (Aged 56) who retires by rotation.

6. To re-elect as a director Mr D Markou (Aged 65) who retires by rotation.

7. To re-elect as a director Mr K R Smith (Aged 70) who retires by rotation.

8. To re-appoint Deloitte LLP as auditors of the company.

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

10. THAT the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "1985 Act") to exercise all the powers of the Company to allot:

    10.1 relevant securities (within the meaning of section 80 of the 1985 Act) up to an aggregate nominal amount of £73,357 provided that this authority is for a period expiring on the conclusion of the Company's next AGM or 15 months from the passing of this resolution (whichever is the earlier) but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused; and

    10.2 equity securities (within the meaning of section 94 of the 1985 Act) in connection with a rights issue (as defined in the listing rules published by the Financial Services Authority) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, up to an aggregate nominal amount of £211,724, provided that this authority is for a period expiring on the conclusion of the Company's next AGM or 15 months from the passing of this resolution (whichever is the earlier) but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.

Special Resolutions

11. THAT, subject to the passing of resolution 10, pursuant to section 95 of the 1985 Act and in substitution for all existing authorities under that section:

    11.1 the directors be and they are generally empowered to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the 1985 Act) wholly for cash pursuant to the authority conferred by the resolution 10.1, as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    a. in connection with an offer of such securities by way of rights or other pre-emptive offers to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

    b. the allotment of equity securities for cash (otherwise pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £211,724,

    and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution or 15 months from the passing of this resolution (whichever is the earlier), save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

    11.2 the directors be and are generally empowered to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by resolution 10.2 as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities in connection with a rights issue (as defined in the listing rules published by the Financial Services Authority) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange, and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the company or 15 months from the date of the passing of this resolution (whichever is the earlier) save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

    This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 10.1" were omitted.

12. That, pursuant to Article 7 of the Company's articles of association; the Company be generally and unconditionally authorised, in accordance with Section 166 of the 1985 Act, to make market purchases (within the meaning of Section 163(3) of the 1985 Act) of Cumulative Preference Shares of £1 each in the capital of the Company ("Cumulative Preference Shares") provided that:-

    a. the maximum number of Cumulative Preference Shares hereby authorised to be purchased is 200,000;

    b. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or 15 months from the passing of this resolution (whichever is the earlier) unless such authority is renewed prior to that time (except in relation to the purchase of Cumulative Preference Shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time).

Notice of Meeting *(continued)*

13. That, pursuant to Article 7 of the Company's articles of association; the Company be generally and unconditionally authorised, in accordance with Section 166 of the 1985 Act, to make market purchases (within the meaning of section 163(3) of the 1985 Act) of 31.5 per cent Cumulative Preference Shares of 12.5 pence each in the capital of the Company ("31.5 per cent Cumulative Preference Shares") provided that:-

    a. the maximum number of 31.5 per cent Cumulative Preference Shares hereby authorised to be purchased is 3,600,756;

    b. this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or 15 months from the passing of this resolution (whichever is the earlier) unless such authority is renewed prior to that time (except in relation to the purchase of 31.5 per cent Cumulative Preference Shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time);

    c. this authority shall not be capable of exercise unless the Company has purchased all of the Cumulative Preference Shares or the holders of the Cumulative Preference Shares have consented to the purchase of the 31.5 per cent Cumulative Preference Shares by way of a variation to the Articles of Association of the Company or otherwise.

14. That pursuant to section 366 of the Companies Act 2006 ("2006 Act"), the Company and all companies that are subsidiaries of the Company at any time during the period for which this resolution shall have effect, be and are hereby authorised, in aggregate:

    to make political donations (as defined in section 364 of the 2006 Act) ("Political Donations") to political parties (as defined in section 363(1) of the 2006 Act) ("Political Parties") or independent election candidates (as defined in section 363(3) of the 2006 Act) not exceeding £20,000 in total;

    to make Political Donations to political organisations (as defined in section 363(2) of the 2006 Act) other than Political Parties not exceeding £20,000 in total; and

    to incur political expenditure (as defined in section 365 of the 2006 Act) not exceeding £50,000 in total,

    during the period beginning with the date of the passing of this resolution and ending on the conclusion of the next AGM of the Company or 15 months from the passing of this resolution (whichever is the earlier). In any event, the aggregate amount of political donations and political expenditure to be made or incurred by the Company and its subsidiaries pursuant to this resolution shall not exceed £90,000.

15. That a general meeting (other than an AGM) may be called on not less than 14 days' notice.

16. That the Company may:

    16.1 send or supply any documents or information to members by making them available on a website for the purposes of paragraph 10(2) of schedule 5 to the 2006 Act and otherwise; and

    16.2 use electronic means (within the meaning of the Disclosure Rules and Transparency Rules sourcebook published by the Financial Services Authority) to convey information to members.

17. That with effect on and from 1 October 2009 the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the 2006 Act, are to be treated as provisions of the Company's articles of association.

18. That with effect on and from 1 October 2009 the draft regulations produced to the meeting and for the purposes of identification signed by the chairman of the meeting be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

19. In the event that resolution 18 is defeated by virtue of the preference shareholders voting against the proposed increase to the Company's borrowing limits (as set out in article 86 of the draft regulations) such article will be replaced by the wording contained at article 89 of the existing articles and with effect on and from 1 October 2009 the draft regulations in the amended form will be adopted as the articles of association of the Company in substitution for, and to the exclusion, of the existing articles of association.

By Order of the Board

C H Redford
Secretary
31 March 2009

Registered office: Royal House, Prince's Gate,
Homer Road, Solihull, West Midlands, B91 3QQ.

Notes:

1. Only those members registered in the register of members of the Company as at 6pm on 20 May 2009 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6pm on 20 May 2009 or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by photocopying the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under section 324 of the 2006 Act to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the 2006 Act.
3. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
4. As at 17 April 2009 (being the latest business day prior to the publication of this notice) the Company's issued share capital consists of 11,737,228 ordinary shares carrying one vote each. Therefore, the total voting rights in the Company as at 17 April 2009 are 11,737,228.
5. A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 6pm on Wednesday 20 May 2009 (or, in the event that the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).
6. The following information is available for inspection during normal business hours at the registered office of the Company (excluding weekends and public holidays) and is also available on the Company's website at www.suplc.co.uk. It will also be available for inspection at the place of the annual general meeting from 15 minutes immediately before the meeting until its conclusion:
7. copies of the service contracts and letters of appointment of the directors; and
8. a copy of the proposed New Articles and a table showing all of the changes to the Current Articles.

Shareholder Notes

Form of Proxy

Proxy for use at the annual general meeting of the company to be held on 22 May 2009 at 11.30 a.m.

I/We ..... of .....
(Block Capitals)

being a member/members of the above-named company, HEREBY APPOINT the chairman of the meeting* .....

..... to act as my/our proxy and to vote for me/us on my/our behalf at the annual general meeting of the company, to be held on the 22 May 2009 at 11.30 a.m. and any adjournment thereof, and in respect of the resolutions set forth in the notice convening such meeting to vote thereon as directed below, or failing any direction as regards the resolutions, as my/our proxy thinks fit both as to how he/she votes and as to whether or not he/she abstains from voting.

The manner in which the proxy is to vote should be indicated by inserting 'X' in the appropriate box.

Ordinary resolutions		FOR	AGAINST
Resolution No. 1 –	To receive and adopt the Statement of Accounts for the year ended 31 January 2009 together with the Reports of the Directors and Auditors.		
Resolution No. 2 –	To approve the report of the Board on remuneration policy.		
Resolution No. 3 –	To declare a final dividend.		
Resolution No. 4 –	To re-elect Mr M Mullins as a director.		
Resolution No. 5 –	To re-elect Mr A M V Coombs as a director.		
Resolution No. 6 –	To re-elect Mr D Markou as a director.		
Resolution No. 7 –	To re-elect Mr K R Smith as a director.		
Resolution No. 8 –	To re-appoint Deloitte LLP as auditors.		
Resolution No. 9 –	To authorise the directors to agree the remuneration of the auditors.		
Resolution No. 10 –	To give the company authority to allot shares.		
Special resolutions			
Resolution No. 11 –	Disapplication of pre-emption rights.		
Resolution No. 12 –	To give the company authority to make market purchases of its own 6% cumulative preference shares.		
Resolution No. 13 –	To give the company authority to make market purchases of its own 31.5% cumulative preference shares.		
Resolution No. 14 –	To give the authority to make political donations and other political expenditure		
Resolution No. 15 –	That a general meeting (other than an AGM) may be ordered on less than 14 days notice		
Resolution No. 16 –	Send or supply information to members in a website or by electronic means		
Resolution No. 17 –	To amend the articles of association of the Company		
Resolution No. 18 –	To adopt the proposed new articles of association		
Resolution No. 19 –	If resolution 18 is defeated, adopt the proposed new articles of association without amending article 89		

Signed this ..... day of ..... 2009 Signature .....

* Delete if it is desired to appoint any other person and insert his/her name and address. A proxy need not be a member of the company.

NOTES:

(1) In the case of a corporation this proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

(2) This proxy together with any power of attorney, or other authority under which it is signed must be received by the company at its registrars' office (address as over) not less than 48 hours before the time for the holding of the meeting.

(3) Any member of the company entitled to attend and vote at this meeting may appoint another person or persons as a proxy to attend and, on a poll, to vote in his stead. The proxy need not be a member of the company.

(4) In accordance with the company's articles of association, holders of the £1 and 31.5% 12.5p cumulative preference shares are entitled to attend in respect of these shares at this annual general meeting and to vote only on resolution 18 (in relation to the proposed increase in the Company's borrowing limits).

SECOND FOLD

AFFIX
STAMP
HERE

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

THIRD FOLD AND TUCK IN

FIRST FOLD

advantage FINANCE LIMITED

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Registered in England No. 342025

at Royal House, Prince's Gate, Homer Road, Solihull, West Midlands B91 3QQ

Tel: 0121 705 7777 **Fax**: 0121 705 7878

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