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S&U PLC

ANNUAL REPORT

AND ACCOUNTS

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S&U PLC

The group provides consumer credit, primarily financial services including hire purchase finance for car purchase and sales of electrical merchandise throughout England, Wales and Scotland.

Financial Highlights

	2004 £000	2003 £000
BUSINESS TRANSACTED	89,260	88,828
TURNOVER	33,929	34,996
OPERATING PROFIT	9,693	8,793
PROFIT BEFORE TAXATION	9,037	7,846
EARNINGS PER ORDINARY SHARE	52.6p	46.0p
DIVIDEND PER ORDINARY SHARE	29.0p	28.0p

Financial Calendar

Annual General Meeting			4 June 2004
Announcement of results	Half year ending 31 July 2004 Year ending 31 January 2005		September 2004 March 2005
Payment of dividends	6% Cumulative Preference shares		30 September 2004 & 31 March 2005
	31.5% Cumulative Preference shares		31 July 2004 & 31 January 2005
	Ordinary shares	– 2004 Final Record Date Ex-dividend Date – *2005 Interim*	2 July 2004 4 June 2004 2 June 2004 *November 2004*

Chairman's Statement

"Earnings per share rose from 46p to 52.6p providing good cover to the proposed dividend."

Results

The operating profit for the year has increased to £9.7m compared to £8.8m for the previous year. Profit on ordinary activities before taxation for the year is £9.0m against £7.8m for 2003. Business transacted for the year is £89.3m compared to £88.8m. Earnings per share rose from 46p to 52.6p providing good cover to the proposed dividend. The Board is recommending a final dividend of 21p per ordinary share making 29p per share for the year as a whole compared to 28p per share last year, an increase for the year of 3.6%. The dividend will be paid on 2 July 2004 to ordinary shareholders on the register at 4 June 2004. The shares will be dealt ex dividend from 2 June 2004. On this basis on the average market price for February 2004 of 572.5p the yield would be 5% with a cover of 1.8 times.

Home Collected Credit

The South London problem has been resolved. We have made crucial personnel changes and these have resulted in establishing a confident platform for growth within this division. Bad debt has been significantly reduced as a percentage of business transacted. Our two major subsidiaries in this field are performing well, particularly S D Taylor Limited. It is heartening to see that S & U's traditional business has been re-invigorated and is demonstrating its growth potential.

Advantage Finance Limited – Motor Car Finance

Advantage's continuing growth pattern is very encouraging. Pre-tax profits rose from £1.3m to nearly £1.6m with little additional capital employed and with a deferred revenue profit of £8.9m. The management structure is first class. We have a very efficient head office team in Grimsby and our marketing activities cover the country, with particular emphasis on the South, the Midlands and the North. Advantage has set itself a budget profit target of £1.9m for the current year and considering how close they came to their target of £1.6m last year that does seem to be a sustainable expectation. Their trading pattern in recent months validates their ambition.

Staff

I would like to pay a special tribute to our Company Secretary David Maiden who is retiring at the end of May after 29 years' exemplary service. I also welcome our new Finance Director and

“The Group's financial position continues to go from strength to strength.”

Company Secretary Christopher Redford. Chris is a Chartered Accountant and has been the Finance Director of Advantage Finance Limited since its inception and has well earned his promotion to the main Board. Fortunately he has a first class deputy to succeed him at Advantage.

A great tribute for these results must go to management and staff at all levels for their continued loyalty and commitment throughout the year. Their enthusiastic contribution is a key factor behind our success.

Outlook

The Group's financial position continues to go from strength to strength and the profits grow. The business has defensive qualities at a time when the global economic scene is uncertain. It also has sound finances, clear and proven strategy, good management and committed staff. We plan to continue the successful expansion in the market for home collected credit. The provision of motor car direct debit finance by Advantage through carefully targeted underwriting demonstrates its success and provides an additional opportunity for expansion and increasing profitability in future years.

Derek M Coombs
Chairman
24 March 2004

Managing Director's Report

After the pause in our profits growth of last year, it gives me great satisfaction to confirm "the strong recovery in Group profitability" I forecast in my 2002/2003 report. Profits before tax at £9.0m comfortably exceeds both £7.8m last year and our broker's forecast. Operating profit is up 10.2% on a year ago, and, at 10.9% of business transacted, is at near record levels.

Earnings per share increased by nearly 15% whilst the Group's financial position has become even stronger with gearing falling from 68.3% to 62.8% - the latter despite an additional £2m investment in Advantage, our motor finance subsidiary, and several acquisitions for our home credit business.

Significantly these results have been achieved through a steady rather than spectacular increase in business transacted, which bodes well for future debt quality. Thus business transacted was just above last year at £89.26m, as strong rises at S D Taylor, our North West home credit subsidiary, and at Advantage Finance were predictably off-set by a fall in turnover at the S & U home credit subsidiary as it continues its recovery from the over trading of 2 years ago.

This pattern of steady sales growth, especially in our home credit business, was accompanied by higher quality business and tight expense control. In contrast to some of our larger volume driven competitors, S & U has always been focused on quality, higher productivity customers, on responsible margins and lower risks of bad debt. At 5.5% of business transacted our bad debt levels are amongst the lowest in the industry. Further, Group expenses have actually fallen in the last year.

We run a tight ship and will continue to do so. Improved security procedures, credit control and underwriting and our continued emphasis upon productivity per Representative gives us a very sound platform to take advantage of the improved economic environment I envisage this year.

Operating Results

	Year Ended 31 January 2004 £m	Year Ended 31st January 2003 £m
Business Transacted	89.3	88.8
Gross Profit	30.9	31.9
Operating Expenses	(16.3)	(16.3)
Doubtful Debt	(4.9)	(6.8)
Operating Profit	9.7	8.8
Interest payable	(1.0)	(1.2)
Profit on the sale of fixed assets	0.3	0.2
Profit before Taxation	9.0	7.8

Home Credit

Our home credit division produced encouraging results and present indications point to further progress this year. Overall pre-tax profit rose to £7.6m and operating profit against business transacted improved to nearly 11%. Average productivity per Representative continues to rise whilst our customer satisfaction surveys continue to show how much our clients value the personalised service we provide. Indeed these findings were replicated recently by the independent Joseph Rowntree Foundation in a study of the home credit industry as a whole.

We broadened and improved our finance and HP ranges as well as making improvements in customer marketing. Business contracted per customer continues to steadily grow – an important indicator of the quality of our customer relationships. Throughout the year we made several acquisitions, particularly in the North West, Scotland and the South West and will continue to do so – provided the customers thus acquired meet our quality and income criteria.

Our most improved subsidiary was S & U, particularly in the light of its quality problems of a year ago. Profit before deferred revenue rose by nearly £900,000, despite the predicted fall in turnover as more disciplined collecting and underwriting was introduced. Current trends are very positive. S D Taylor and Wilson Tupholme, our Northern based subsidiaries, continued to maintain very high returns against assets employed of around 20%, the former again posting record profits.

Gradual withdrawal from home credit by some of our major competitors and further consolidation within the industry in anticipation of the reform of the Consumer Credit Act and European Consumer Credit Directive, does give S & U major opportunities for growth through acquisition in home credit. Although discussions on detail continue, the recent Consumer Credit White Paper provides a broad framework for regulation which is entirely consistent with S & U's long standing strategy of responsible, non-distress lending to customers who value the convenience, flexibility and cash management which home credit provides. Indeed I was encouraged to hear the Consumer Affairs Minister recognise these attributes in a House of Commons debate on consumer credit at the end of last year.

Advantage Finance

Yet again I am delighted to report another year of excellent progress at Advantage, our motor finance subsidiary. Strong leadership, state of the art IT and a highly motivated team have combined to produce profits before taxation of £1.56m, 21% better than last year. Gross book debts have grown to £32.8m as both the geographical reach and the level of business conducted with Advantage's key motor dealers increases.

2003 saw the third consecutive year of record new car registrations and a buoyant and more profitable used car market. This bodes well for Advantage particularly as it increasingly focuses upon higher value vehicles from loyal and established dealers. Thus last year new agreements rose by 14%, gross margins improved and collection rates consistently met challenging targets. Senior management has been refocused in particular to upgrade our sales and marketing for a growing business; results are already evident in a sales increase of 13% and a very encouraging start to the current year.

The infrastructure of the business is now in place for higher volumes, which with a more mature debt, should see further increases in return on capital employed. This has risen steadily over the past 2 years despite continuing investment - last year £1.85m - in book debt. This is a pattern which will be repeated over the next three years as we continue to exploit nationally the growing demand for Advantage's products.

Group Profit, Dividend and Earnings Per Share

	Year ended		6 months ended		6 months ended	
	31 January 2004 £m	31 January 2003 £m	31 January 2004 £m	31 January 2003 £m	31 July 2003 £m	31 July 2002 £m
Profit before tax	9.0	7.8	4.8	3.3	4.2	4.5
Profit after tax	6.3	5.5	3.4	2.4	2.9	3.1
Earnings per share	52.6p	46.0p	28.1p	20.0p	24.5p	26.0p
Dividends per share	29.0p	28.0p	21.0p	20.0p	8.0p	8.0p

As predicted at half year, the second half of 2003/2004 showed a strong recovery in profit and turnover. Current indications in all our businesses are that these benign trends continue. Following no change of dividend for the half-year, it is therefore right to increase the final dividend this year to 21p per ordinary share making a total for the year of 29p (2003 - 28p). Cover at this level will improve to just over 1.8 (calculated as profit on ordinary activities after taxation, divided by dividends paid and proposed).

Managing Director's Report

Capital Structure, Liquidity and Treasury

S & U has always kept tight control of its gearing. This is especially prudent now as longer term interest rates rise and when headroom is required for the finance, through debt, of our organic expansion and of acquisitions in home credit and our motor finance businesses. This year gearing has fallen slightly to 62.8% from 68.3% a year ago. Broadly, our additional investment in Advantage has been counterbalanced by the strong cash generation of our more mature home credit business.

We will take advantage of this strong base by restructuring our existing bank facilities on a medium term 5 year basis, which will both strengthen our balance sheet and reflect the core borrowing required for our Advantage Motor Finance business. Although we unwound our swap facilities at a profit this year, I anticipate making further such arrangements when an appropriate opportunity arises.

Conclusion

Both the general industry environment and the specific health of S & U gives me more confidence in the future than at any time over the past 5 years. Internally we have a strong management team – made even more so by the very welcome promotion of Chris Redford ACA from Advantage to be our Group Finance Director. The Group has a clear marketing and product strategy, tighter security and underwriting procedures and historically good cost control.

The legal and regulatory climate is both clearer and more positive now than for over a decade and I pay tribute to the excellent work of the Consumer Credit Association in promoting the industry's interests to Government. High employment levels and generally low levels of overindebtedness amongst our sub-prime customers offer significant opportunities for responsible lenders. We aim to take advantage of these trends by organic growth, further advances in efficiency and by acquisition of good quality businesses as they become available.

Progress is only possible through the efforts of good quality people. Throughout the Group we pride ourselves on the loyalty and long service of large numbers of our staff. A prime example is the long service of nearly 30 years given to us by David Maiden, our Company Secretary, who retires this year. Such loyalty is essential if we are to provide high levels of service to our much valued customers. I therefore pay tribute to our staff and thank your Board of Directors for their invaluable support over the past year. I look forward to still further progress in the year ahead.

Anthony M V Coombs
Managing Director
24 March 2004

Officers and Professional Advisers

Directors

D M Coombs	*(Chairman)*
A M V Coombs MA (Oxon)	*(Managing Director)*
G D C Coombs MA (Oxon) MSc (Lon)	
C Redford ACA (Appointed 1 March 2004)	*(Finance Director)*
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 (Appointed 1 March 2004)
E D Maiden (Resigned 1 March 2004)

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The Registry
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Beckenham
Kent BR3 4TU
Tel: 0208 639 3039

Bankers
HSBC Bank plc
130 New Street
Birmingham B2 4JU

Royal Bank of Scotland
5th Floor
2 Saint Phillips Place
Birmingham
B3 2RB

Solicitors
Hammonds
Rutland House
148 Edmund Street
Birmingham B3 2JR

Stockbrokers
Brewin Dolphin Securities Limited
7 Drumsheugh Gardens
Edinburgh EH3 7QH;
and 5 Giltspur Street
London EC1A 9BD

Auditors
Deloitte & Touche LLP
Chartered Accountants
Birmingham

Directors Biographies

Derek M Coombs *(Chairman)*	Chairman since 1975. Managing Director 1975 to April 1999. Former Member of Parliament. Chairman, Prospect Publishing Limited. Political journalist. Until recently, non-executive director, Metalrax Group Plc.
Anthony M V Coombs MA (Oxon) *(Managing Director)*	Joined S & U in 1975 and was appointed Managing Director in 1999. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. Serves on the Executive of the Consumer Credit Association and chairs its Public Relations Committee and is a director of a number of companies and charities including the Birmingham Royal Ballet Trust Board.
Graham D C Coombs MA (Oxon) MSc (Lon)	Joined S & U plc after graduating from London Business School in 1976. He is responsible for the Group's subsidiaries, Wilson Tupholme Limited and S D Taylor Limited and for property matters.
Chris Redford ACA *(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.
Mark F Hepplewhite LLB (Hons) FCA *(Non-executive)*	A law graduate and a Chartered Accountant by profession. He is contracted to act as Finance Director for a substantial group of property companies where he specialises in corporate tax matters.
Demetrios Markou MBE FCA *(Non-executive)*	A Chartered Accountant with over 30 years experience in public practice in Birmingham. He has extensive commercial and political experience.
Keith R Smith *(Non-executive)*	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 and is currently a director of Nabarro Wells & Co Limited, a corporate finance business specialising in advice to smaller public companies.
Fiann Coombs BA (Lon) MSc (Lon) *(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 2004.

Activities

The principal activity of the Group continues to be that of consumer credit and car finance. These include financial services, hire purchase and sales of electrical and household merchandise throughout England, Wales and Scotland.

Review of developments and future prospects

A review of developments during the year and future prospects is given in the chairman's statement on pages 2 to 3 and the managing director's report on pages 4 to 6.

Results and dividends

The Group's profit on ordinary activities after taxation was £6,326,000 (2003 - £5,553,000). Dividends of £3,558,000 (2003 - £3,440,000) were paid and proposed during the year, leaving retained profits of £2,768,000 (2003 - £2,113,000) to be transferred to reserves.

The directors recommend a final dividend, subject to shareholders approval of 21.0p per share (2003 – 20.0p). This, together with the interim dividend of 8.0p per share (2003 – 8.0p) paid during the year, makes a total dividend for the year of 29.0p per share (2003 – 28.0p).

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 2004		At 31 January 2003	
	31.5% Preference shares	Ordinary shares	31.5% Preference shares	Ordinary shares
D M Coombs	70,000	2,471,241	70,000	2,471,241
A M V Coombs	–	538,330	–	538,110
G D C Coombs	–	565,970	–	565,970
M F Hepplewhite	–	7,000	–	7,000
K R Smith	–	10,000	–	10,000
D Markou	–	2,000	–	2,000
F Coombs	–	33,550	–	33,550
C Redford	–	–	–	–

4,500 of the shares held by Mr M F Hepplewhite are held in trust for Anglo-Malay Consultants Limited, a close company of which he is a shareholder and director.

There were no changes to the directors' interests shown above between 31 January 2004 and 25 March 2004.

Directors' Report

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 2004 (2003 - 298,048). During the year the company obtained supplies amounting to £9,791 (2003 - £4,940) from Grevayne Properties Limited. The amount due to Grevayne Properties Limited at the year end was £nil (2003 - £nil).

As at 31 January 2004 £16,383 (2003 - £16,474) was outstanding from the Directors loan accounts of D M Coombs. The maximum amount outstanding in the year was £20,528 (2003 - £18,805). The balance outstanding was subsequently cleared in February 2004.

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 C Redford offers himself for election and Messrs M F Hepplewhite and D M Coombs being eligible, offer themselves for re-election.

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

Substantial shareholdings

At 25 March 2004, the company had been notified of the following interests of 3% or more in its issued ordinary share capital (excluding those of the directors disclosed above):-

Shareholder	No of shares	% of share capital
Wiseheights Limited	2,420,000	20.6%
C K Coombs	1,621,501	13.8%
R C Greig Nominees	450,072	3.8%
Pierrette Limited	385,687	3.2%

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.

Political and charitable contributions

During the year the company and the Group made contributions to a number of local charities of £10,430 (2003 - £7,186). 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 2004 were 54 days (2003 – 31 days), and trade creditor days for the company were 54 days (2003 – 29 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

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

Deloitte & Touche 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
24 March 2004

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, Mr F Coombs and Mr K Smith, who are all, with the exception of Mr F Coombs, 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 his or her 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; and
- Pension arrangements.

The company does not operate a share option or similar long term incentive schemes.

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 to 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 cash bonus is to be paid. In setting appropriate bonus parameters the Committee considers the Group's pre tax profit performance for the year and the appropriate % 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 2003, nor will any be made in respect of the year ended January 2004.

Pension arrangements

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

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.

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.

Mr D M Coombs is proposed for re-election at the next annual general meeting. Mr C Redford is proposed for election at the next annual general meeting as finance director. Mr M F Hepplewhite, who is also proposed for re-election, being a non-executive director, does not have a service contract.

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.

It is company policy that non-executive directors are not granted service contracts.

Non-executive directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and 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 £15,000. Non executives are not eligible to join the company's pension scheme.

Report of the Board to the Shareholders on Remuneration Policy

AUDITED INFORMATION

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2004 £000	2003 £000
Emoluments	637	648
Money purchase pension contributions	44	44
	681	692

Directors' emoluments

	Salaries and fees £000	Benefits in kind £000	Total 2004 £000	Total 2003 £000
Executive directors				
D M Coombs	213	30	243	238
A M V Coombs	175	23	198	195
G D C Coombs	150	9	159	157
Non-executive directors				
M F Hepplewhite	15	–	15	15
D Markou	14	–	14	14
K R Smith	14	–	14	14
F Coombs	15	–	15	15
	596	62	658	648

Directors' pension entitlements

2 directors are members of money purchase schemes. Contributions paid by the company in respect of such directors were as follows:

	2004 £000	2003 £000
A M V Coombs	24	24
G D C Coombs	20	20

Approval

This report was approved by the Board of Directors on 24 March 2004 and signed on its behalf by:

Keith Smith

Chairman of the Remuneration Committee

Corporate Governance

In June 1998 the Combined Code was issued by the London Stock Exchange. The Code is based on the report of the Hampel Committee and sets out Principles of Good Corporate Governance and Code provisions which consolidate the work of the earlier Cadbury and Greenbury Committees. Section 1 of the Code is applicable to companies.

A narrative statement on how the company has applied the Principles and a statement explaining the extent to which the provisions of the Code have been complied with appear below.

Narrative statement

The Code establishes 14 Principles of Good Governance, which are split into the four areas described below. The current position of the company is described below.

Directors

During the period under review, the company was controlled through the Board of Directors which comprised three executive and four non-executive directors. The independent non-executives are K R Smith, M F Hepplewhite and D Markou. The Chairman is mainly responsible for the running of the Board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Managing Director's responsibilities focus on co-ordinating the company's business and implementing Group strategy. The Chairman and Managing Director are jointly responsible for acquisitions outside the traditional business, the development of the business into new areas, and relations with the investing community, public and media. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board has a formal schedule of matters reserved to it and meets at least three times a year with monthly circulation of papers. It is responsible for overall group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues and key appointments. It also ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

The Board has established an Audit Committee and a Remuneration Committee. Each committee operates within defined terms of reference. As the Board is small, it is not intended to form a separate nomination committee. The Board as a whole deals with such matters formally. Trading companies are managed by separate boards of directors. The minutes of their meetings and of the standing committees will be circulated to and reviewed by the Board of Directors.

The Audit Committee and the Remuneration Committee are composed of the four non-executive directors, Messrs M F Hepplewhite, D Markou , F Coombs and K R Smith. Chairmen of these committees are appointed from among the members. Three out of the four non-executive directors are considered to be independent. The Board has designated Mr K R Smith as senior independent director.

Relations with Shareholders

The company continues to communicate with both institutional and private investors and responds quickly to all queries received verbally or in writing. All shareholders have at least twenty working days notice of the Annual General Meeting at which all directors are introduced and available for questions.

The Board is aware of the importance of maintaining close relations with investors and analysts for the group's market rating. Positive steps are being taken to enhance these relationships.

Corporate Governance

Accountability and Audit

Financial Reporting

Reviews of the performance and financial position of the Group are included in the Managing Director's Report. The Board uses this, together with the Chairman's Statement and the Directors' Report within pages 2 to 11, to present a balanced and understandable assessment of the company's position and prospects. The directors' responsibilities in respect of the financial statements are described on page 18 and those of the auditors on page 19.

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. All reviews are considered by the Board and accord with the Internal Control guidance for directors on the combined code produced by the Turnbull working party. 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 risk 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 Turnbull guidance.

The Board intends to keep its risk control procedures under constant review particularly as regards the need to embed internal control and risk management procedures further into the operations of business and to deal with areas of improvement which come to management's and the Board's attention.

As might be expected in a group of this size, a key control procedure is the day to day supervision of the business by the executive directors, supported by the managers with responsibility for operating units and the central support functions of finance, information systems and human resources.

The executive directors are involved in the budget setting process, constantly monitor key statistics and review management accounts on a monthly basis, noting and investigating major variances. All significant capital expenditure decisions are approved by the Board as a whole.

The 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 twice a year with the external auditors attending by invitation. The Committee overviews the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the group's external auditors report to the non-executive directors.

Going Concern basis

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Compliance statement

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. The company has complied throughout the accounting period ended 31 January 2004 with the provisions set out in Section 1 of the Code with the exception of:

Section B2.2 of the code, which prescribes that all directors of the remuneration committee should be independent non executive. The Board notes that the overwhelming majority of the committee are independent and believes that the committee is best served by having all the non-executive directors as members.

Section B1.4 of the code, which prescribes that a significant proportion of the executive directors' remuneration should be structured so as to link rewards to corporate and individual performance. This is not considered necessary due to the shareholdings of the majority of the executive directors. The structure of directors' remuneration will be reviewed going forward.

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have met the above requirements.

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

By order of the Board

C Redford
Secretary
24 March 2004

Independent Auditors' Report

To the members of S & U Plc

We have audited the financial statements of S & U Plc for the year ended 31 January 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the related notes 1 to 24, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds and the statement of movements on reserves. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the 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 directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report described as having been 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 described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 January 2004 and of the profit of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham
24 March 2004

Consolidated Profit and Loss Account

Year ended 31 January 2004

	Note	2004 £000	2003 £000
Business transacted	1	89,260	88,828
Turnover	1,2	33,929	34,996
Cost of sales		(3,063)	(3,131)
Gross profit		30,866	31,865
Other expenses		(16,240)	(16,310)
Provision for doubtful debt (includes exceptional item of £nil (2003 – £1.9m))	4	(4,933)	(6,762)
Total administrative expenses		(21,173)	(23,072)
Operating profit	5	9,693	8,793
Profit on sale of fixed assets	11	312	214
Net interest payable	6	(968)	(1,161)
Profit on ordinary activities before taxation		9,037	7,846
Tax on profit on ordinary activities	7	(2,711)	(2,293)
Profit on ordinary activities after taxation being profit for the financial year		6,326	5,553
Dividends paid and proposed – including amounts in respect of non equity shares	9	(3,558)	(3,440)
Retained profit for the financial year		2,768	2,113
Basic Earnings per Ordinary share	10	52.6p	46.0p
Dividends per Ordinary share	9	29.0p	28.0p

There have been no recognised gains or losses other than the profit for the current and preceding years.

All activities derive from continuing operations.

Statement of Movements on Reserves

Year ended 31 January 2004

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
The Group				
Balance at 1 February 2003	2,136	600	30,610	33,346
Realisation of property revaluation gains on previous years	-	(92)	92	-
Transfer of depreciation on freehold properties	-	(7)	7	-
Retained profit for the financial year	-	-	2,768	2,768
Balance at 31 January 2004	**2,136**	**501**	**33,477**	**36,114**

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
The Company				
Balance at 1 February 2003	2,136	41	11,974	14,151
Transfer of depreciation on freehold properties	-	(1)	1	-
Retained profit for the financial year	-	-	453	453
Balance at 31 January 2004	**2,136**	**40**	**12,428**	**14,604**

Consolidated Balance Sheet

31 January 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	11		2,474		2,646
Current assets					
Stocks	14		105		214
Debtors:					
– Amounts receivable from customers (including £14,520,000 falling due after one year (2003 – £12,776,000))	13	64,526		60,949	
– Other debtors	15	948		946	
			65,474		61,895
Cash at bank and in hand			10		106
			65,589		62,215
Creditors: amounts falling due within one year	16		(29,832)		(14,398)
Net current assets			35,757		47,817
Total assets less current liabilities			38,231		50,463
Creditors: amounts falling due after more than one year	17		-		(15,000)
Net assets			38,231		35,463
Capital and reserves					
Called up share capital	18		2,117		2,117
Share premium account			2,136		2,136
Revaluation reserve			501		600
Profit and loss account			33,477		30,610
Total shareholders' funds			38,231		35,463
Attributable to equity shareholders			37,581		34,813
Attributable to non-equity shareholders			650		650
			38,231		35,463

These financial statements were approved by the Board of Directors on 24 March 2004.

Signed on behalf of the Board of Directors

D. M. Coombs } *Directors*

A. M. V. Coombs

Company Balance Sheet

31 January 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	11		634		835
Investments	12		2,893		2,893
			3,527		3,728
Current assets					
Stocks	14		60		54
Debtors:					
– Amounts receivable from customers	13	15,879		17,044	
– Other debtors	15	18,718		17,668	
			34,597		34,712
Cash at bank and in hand			7		5
			34,664		34,771
Creditors: amounts falling due within one year	16		(21,470)		(7,231)
Net current assets			13,194		27,540
Total assets less current liabilities			16,721		31,268
Creditors: amounts falling due after more than one year	17		–		(15,000)
Net assets			16,721		16,268
Capital and reserves					
Called up share capital	18		2,117		2,117
Share premium account			2,136		2,136
Revaluation reserve			40		41
Profit and loss account			12,428		11,974
Total shareholders' funds			16,721		16,268
Attributable to equity shareholders			16,071		15,618
Attributable to non-equity shareholders			650		650
			16,721		16,268

These financial statements were approved by the Board of Directors on 24 March 2004.

Signed on behalf of the Board of Directors

D. M. Coombs } *Directors*

A. M. V. Coombs

Consolidated Cash Flow Statement

Year ended 31 January 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Cash flow from operating activities	20		7,115		7,366
Returns on investments and servicing of finance					
Interest received		2		5	
Interest paid		(992)		(1,159)	
Preference dividends paid		(154)		(78)	
Net cash outflow from returns on investments and servicing of finance			(1,144)		(1,232)
Taxation			(2,516)		(3,035)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(760)		(707)	
Proceeds of sale of fixed assets		676		459	
Net cash outflow for capital expenditure and financial investment			(84)		(248)
Equity dividends paid			(3,289)		(3,357)
Increase (Decrease) in cash in the year			82		(506)

Reconciliation of net cash flow to movement in net debt

	2004 £000	2003 £000
Increase (Decrease) in cash in the year	82	(506)
Cash outflow from increase in debt	-	-
Movement in net debt in the year	82	(506)
Opening Net Debt	(23,683)	(23,177)
Closing Net Debt	(23,601)	(23,683)

Note of Historical Cost Profits and Losses

Year ended 31 January 2004

	2004 £000	2003 £000
Profit on ordinary activities before taxation	9,037	7,846
Realisation of property revaluation gains of previous years	92	-
Difference between historical cost depreciation charge and actual depreciation charge on the revalued amount	7	9
Historical cost profit on ordinary activities before taxation	9,136	7,855
Historical cost profit for the year retained after taxation and dividends	2,867	2,122

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 31 January 2004

	2004 £000	2003 £000
Profit for the financial year	6,326	5,553
Dividends	(3,558)	(3,440)
Net addition to shareholders' funds	2,768	2,113
Opening shareholders' funds:	35,463	33,350
Closing shareholders' funds	38,231	35,463
Attributable to 6% Cumulative Preference shareholders	200	200
Attributable to 31.5% Cumulative Preference shareholders	450	450
Total attributable to non-equity interests	650	650
Attributable to equity interests	37,581	34,813
	38,231	35,463

Notes to the Accounts

Year ended 31 January 2004

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention
The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. All of these companies have the same year end date as the Group.

Turnover
Turnover is exclusive of value added tax and comprises:

● Home collected instalment credit agreements	Credit charges received or receivable.
● Monthly instalment credit agreements (consumer credit)	Credit charges received or receivable.
● Monthly instalment credit agreements (car finance)	Credit charges received or receivable.
● Hire purchase agreements	Gross amount received or receivable, less deferred revenue.
● Goods and services	Gross amounts of goods and services supplied.
● Insurance	Net commission received and receivable on premiums paid by customers.

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

Tangible fixed assets
Depreciation is provided on the cost or valuation of tangible fixed assets in order to write off such cost or valuation over the expected useful lives as follows:

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 on reducing balance
Motor vehicles	25% per annum on reducing balance

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

1. Accounting policies (continued)

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

Debtors
Bad debts are written off and a specific reserve is made on all debts which are considered doubtful.

Deferred revenue
Deferred revenue comprises that part of the gross profit on customer accounts at the year end which had not been earned at the balance sheet date.

Stocks
Stocks are stated at the lower of cost and net realisable value.

Deferred taxation
Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Goodwill
Any goodwill which arises on future acquisitions will be capitalised and amortised over its useful life in accordance with the requirements of FRS 10 'Goodwill and intangible assets'.

Pensions
The company's contributions to its defined benefit pension scheme are expensed in order to allocate the cost of providing the pensions, recognising any actuarial surplus or deficiency (where applicable), over the working lives of the relevant employees.

The Group has adopted the transitional requirements of Financial Reporting Standard 17 'Retirement Benefits'.

The company also operates a defined contribution pension scheme and the pension charge represents the amount payable by the company for the financial year.

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

2. Analyses of turnover, operating profit and net assets

All operations are situated in the United Kingdom. Analyses by class of business of turnover, operating profit and net assets are stated below:

	Turnover		Operating profit		Net assets	
	2004	2003	2004	2003	2004	2003
	£000	£000	£000	£000	£000	£000
Class of business						
Consumer credit, rentals and other retail trading	26,381	28,320	7,299	6,667	55,982	55,381
Car finance	7,548	6,676	2,394	2,126	5,860	3,521
	33,929	34,996	9,693	8,793	61,842	58,902
Borrowings					(23,611)	(23,439)
					38,231	35,463

3. Information regarding employees

	2004	2003
	No	No
The average number of persons employed by the group in the year was:		
Consumer credit, rentals and other retail trading	287	291
Car finance	64	57
	351	348

	2004	2003
	£000	£000
Staff costs during the year (including directors):		
Wages and salaries	7,148	7,374
Social security costs	678	676
Pension costs for money purchase scheme	136	143
	7,962	8,193

4. Exceptional bad debt expense

In the prior year the bad debt expense consists of the financial effects of the frauds that were identified at the London branch during the year ended 31 January 2003.

5. Operating profit

	2004 £000	2003 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	528	584
Rentals under operating leases:		
Hire of plant and machinery	6	12
Other operating leases	269	277
Auditors' remuneration:		
Group audit fees	74	71
Other services	15	15
Loss on sale of fixed assets	42	-
Rentals received/receivable under operating leases	(223)	(228)

The audit fee for the company was £26,000 (2003 - £25,000).

6. Net interest payable

	2004 £000	2003 £000
Bank loan and overdraft	1,090	1,157
Profit on close of interest rate swap (see note 19)	(131)	-
Other interest payable	11	9
Interest payable and similar charges	970	1,166
Interest receivable	(2)	(5)
	968	1,161

7. Tax on profit on ordinary activities

	2004 £000	2003 £000
Corporation tax at 30% (2003 - 30%) based on the profit for the year	2,703	2,305
Adjustment in respect of prior years	(7)	-
	2,696	2,305
Deferred tax (timing differences - origination and reversal)	15	(12)
	2,711	2,293

Notes to the Accounts

Year ended 31 January 2004

7. Tax on profit on ordinary activities (continued)

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

	2004 £000	2003 £000
Profit on ordinary activities before tax	9,037	7,846
Tax on profit on ordinary activities at standard rate	2,711	2,353
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	16	15
Non-qualifying depreciation	(15)	10
Chargeable gains	85	-
Disposal proceeds of ineligible disposals	(94)	-
Other timing differences	-	2
Differences in tax rates on current tax	-	3
Prior period adjustments	(7)	(78)
Total actual amount of current tax	2,696	2,305

8. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year after taxation amounted to £4,011,000 (2003 - £3,603,000).

9. Dividends

	2004 £000	2003 £000
Interim paid - 8.0p per Ordinary share (2003 - 8.0p)	939	939
Final proposed - 21.0p per Ordinary share (2003 - 20.0p)	2,465	2,347
Ordinary dividends on equity shares	3,404	3,286
31.5% Cumulative Preference dividend	142	142
6% Cumulative Preference dividend	12	12
Preference dividends on non-equity shares	154	154
Total dividends paid and proposed	3,558	3,440

10. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £6,326,000 (2003 - £5,553,000) from which is deducted Preference dividends of £154,000 (2003 - £154,000) giving earnings of £6,172,000 (2003 - £5,399,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2003 - 11,737,228). There are no dilutive shares.

11. Tangible fixed assets

The Group	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 February 2003	1,256	4,272	1,252	6,780
Additions	20	647	93	760
Disposals	(135)	(1,653)	(46)	(1,834)
At 31 January 2004	1,141	3,266	1,299	5,706
Accumulated depreciation				
At 1 February 2003	236	2,883	1,015	4,134
Charge for the year	21	427	80	528
Disposals	(43)	(1,346)	(41)	(1,430)
At 31 January 2004	214	1,964	1,054	3,232
Net book value				
At 31 January 2004	**927**	**1,302**	**245**	**2,474**
At 31 January 2003	1,020	1,389	237	2,646

Comparable amounts determined according to the historical cost convention:

Cost	551	3,266	1,299	5,116
Accumulated depreciation	(127)	(1,964)	(1,054)	(3,145)
Net book value				
At 31 January 2004	**424**	**1,302**	**245**	**1,971**
At 31 January 2003	420	1,389	237	2,046

Included in the above is land at a cost or valuation of £60,000 (2003 – £60,000) which is not depreciated.

11. Tangible fixed assets (continued)

The Company	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 February 2003	310	1,273	554	2,137
Additions	-	249	45	294
Disposals	(230)	(366)	-	(596)
At 31 January 2004	80	1,156	599	1,835
Accumulated depreciation				
At 1 February 2003	31	806	465	1,302
Charge for the year	1	148	28	177
Disposals	(16)	(262)	-	(278)
At 31 January 2004	16	692	493	1,201
Net book value				
At 31 January 2004	64	464	106	634
At 31 January 2003	279	467	89	835

Comparable amounts determined according to the historical cost convention:

Cost	30	1,156	599	1,785
Accumulated depreciation	(9)	(692)	(493)	(1,194)
Net book value				
At 31 January 2004	21	464	106	591
At 31 January 2003	238	468	89	795

Included in the above is land at cost of £22,000 (2003 - £22,000) which is not depreciated.

The profit on sale of fixed assets resulted from the sale of property held at £214,000 net book value at the date of disposal.

11. Tangible fixed assets (continued)

Freehold land and buildings at cost or valuation are stated:

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
At open market valuation for existing use in 1973	840	971	60	60
At cost	301	285	20	250
	1,141	1,256	80	310

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

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
	274	306	83	93

12. Investments

The Company	£000
Shares in subsidiary companies	
At 1 February 2003 and 31 January 2004	2,893

Interests in subsidiaries

The principal subsidiaries of the company, all of which are wholly owned directly by the company, operate in Great Britain and are incorporated in England and Wales.

Subsidiary	Principal activity
S D Taylor Limited	Consumer credit, rentals and other retail trading
Wilson Tupholme Limited	Consumer credit, rentals and other retail trading
Advantage Finance Limited	Car finance

Notes to the Accounts

Year ended 31 January 2004

13. Amounts receivable from customers

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Gross instalment credit receivables	87,463	82,431	19,989	22,906
Less: Provision for doubtful debt	(8,452)	(8,790)	(2,015)	(3,680)
Instalment credit receivables after provision	79,011	73,641	17,974	19,226
Less: Deferred revenue	(14,485)	(12,692)	(2,095)	(2,182)
	64,526	60,949	15,879	17,044
Amounts receivable under finance leases and hire purchase agreements included above	23,411	20,570	449	444
Value of assets acquired during the year to be leased under finance leases or hire purchase agreements	14,366	11,670	333	373
Rentals received during the year in respect of finance leases and hire purchase agreements	13,317	12,507	629	734

14. Stocks

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Raw materials	–	8	–	–
Work in progress	–	56	–	–
Finished goods and goods for resale	105	150	60	54
	105	214	60	54

15. Other Debtors

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Trade debtors	–	41	–	–
Amounts owed by subsidiary undertakings	–	–	18,317	17,240
Deferred tax asset	53	68	26	39
Corporation tax recoverable	91	79	91	79
Other debtors	481	429	142	176
Prepayments and accrued income	323	329	142	134
	948	946	18,718	17,668

All the above amounts fall due within one year.

Movement on deferred taxation balance in the period

	£000
Opening balances	68
Credit to profit and loss account	(15)
Closing balance	53

Analysis of deferred tax balance

	2004	2003
	£000	£000
Capital allowances in excess of depreciation	52	66
Short term timing differences	1	2
	53	68

No provision has been made for deferred tax on revaluing property to its market value. The tax on the gains arising from the revaluation would only become payable if the property were to be sold without rollover relief being available. These assets are expected to be used in the continuing operations of the business and therefore no tax is expected to be paid in the foreseeable future. If these assets were sold without rollover relief being available the estimated amount of tax that would become payable in these circumstances is £150,000.

16. Creditors: amounts falling due within one year

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank overdrafts	8,611	8,789	1,177	2,386
Bank loan	15,000	-	15,000	-
Trade creditors	749	530	313	172
Amounts owed to Group undertakings	-	-	1,723	1,683
Corporation tax	1,363	1,170	318	18
Group relief payable	-	-	-	24
Other taxation and social security	249	253	106	112
Other creditors	524	479	230	288
Accruals and deferred income	794	750	61	121
Proposed dividend	2,542	2,427	2,542	2,427
	29,832	14,398	21,470	7,231

S & U plc had the following overdraft facilities outstanding at 31 January 2004:

A facility for £10 million (2003 - £10m) was reviewed in October 2003 and is subject to annual review.

A facility for £2 million (2003 - £2m) was reviewed in October 2003 and is subject to annual review.

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

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

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

	The Group		The Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
Bank loan	-	15,000	-	15,000
	-	15,000	-	15,000

18. Called up share capital

		2004	2003
		£000	£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
3,600,756	31.5% Cumulative Preference shares of 12.5p each	450	450
		2,450	2,450
Called up, allotted and fully paid			
11,737,228	Ordinary shares of 12.5p each	1,467	1,467
200,000	6% Cumulative Preference shares of £1 each	200	200
3,600,756	31.5% Cumulative Preference shares of 12.5p each	450	450
		2,117	2,117

The 6.0% 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 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.

Neither class of Cumulative Preference share carries voting rights so long as the dividends are not in arrears.

19. Financial instruments

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

The Group's business objectives rely on maintaining a well spread customer base of carefully controlled quality by applying strong emphasis on good credit management, both through strict lending criteria at the time of underwriting a new credit facility and continuous monitoring of the collection process. The home collected credit hire purchase debts are secured by the goods. The car finance hire purchase debts are secured by the financed vehicle.

As at 31 January 2004 the Group's indebtedness amounted to £23,611,000 (2003 - £23,789,000). The gearing was 62.8% (2003 - 68.3%), being calculated as net borrowings as a percentage of equity shareholders' funds. The Board is of the view that the gearing level remains conservative, especially for a lending organisation.

On 12 February 2003, the Group entered into a £10 million interest rate swap at 4.0% for a period of three years.
The Group entered into a second interest rate swap on the 29 May 2003 for £5 million at 3.89% for a period of three years.
On 8 September 2003, as part of its interest rate risk exposure strategy, the group closed its £15 million of interest rate swaps which resulted in a profit of £131,000. This has been disclosed in note 6 to the accounts. The group does not use derivative instruments for trading purposes or for speculative activity.

19. Financial instruments (continued)

The disclosures below exclude short term debtors and creditors.

Sterling financial liabilities

	2004	2003
	£000	£000
Fixed rate	650	650
Floating rate (not hedged)	23,611	23,789
	24,261	24,439

The weighted average interest rate on fixed rate financial liabilities at 31 January 2004, being preference share capital having no maturity date, was 24% (2003 - 24%). The reference rate for floating rate financial liabilities is United Kingdom base rates. There are no non-interest bearing financial liabilities, or undrawn committed borrowing facilities.

Sterling financial assets

	2004	2003
	£000	£000
Fixed rate	14,520	12,776
Non-interest bearing	10	106
	14,530	12,882

The weighted average interest rate on fixed rate financial assets at 31 January 2004 was 29.7% (2003 - 30.02%), with a weighted average period of 2.2 years (2003 - 2.2 years) for which the rate is fixed. Non-interest bearing financial assets constitutes cash in hand. There are no floating rate financial assets.

Currency risk
The Group has no material exposure to foreign currency risk.

Liquidity risk
The maturity of the Group's financial liabilities at 31 January 2004 was as follows:

	2004	2003
	£000	£000
In one year or less or on demand	23,611	8,789
In more than one year but less than two years	-	15,000
In more than two years but not more than five years	-	-
In more than five years	650	650
	24,261	24,439

19. Financial instruments (continued)

S & U plc has unused committed borrowing facilities at 31 January 2004 of £2.7 million (2003 - £3.2m).

Fair values of financial assets and financial liabilities

	2004		2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Primary financial instruments:				
Net indebtedness	(23,601)	(23,601)	(23,683)	(23,683)
Preference share capital	(650)	(2,086)	(650)	(2,158)
Amounts receivable from customers (falling due after more than one year)	14,520	13,154	12,776	12,286

The fair values of cash at bank and in hand, the bank loans and the bank overdrafts are not materially different from their book values.

The fair values of the preference share capital are based on the mid prices at the close of business of those instruments sourced from the Daily Official Lists for 31 January 2004 and 2003.

Amounts receivable from customers have been discounted at a rate commensurate with the credit, interest rate and prepayment risks inherent in the assets. For amounts receivable from customers due in less than one year, which have been excluded from the numerical disclosures above, a discounted cash flow calculation does not give a result materially different to the carrying value of the assets.

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

	2004 £000	2003 £000
Operating profit	9,693	8,793
Depreciation	528	584
Loss on sale of fixed assets	42	-
Decrease in stocks	109	44
Increase in amounts receivable from customers	(3,577)	(1,657)
Increase in debtors	(4)	(8)
Increase/(decrease) in creditors	324	(390)
Net cash inflow from operating activities	7,115	7,366

21. Analysis of net debt

	31 January 2003 £000	Cash flow £000	Other changes £000	31 January 2004 £000
Cash at bank and in hand	106	(96)	-	10
Bank overdraft	(8,789)	178	-	(8,611)
	(8,683)	82	-	(8,601)
Debt due within one year	-	-	(15,000)	(15,000)
Debt due after more than one year	(15,000)	-	15,000	-
	(23,683)	82	-	(23,601)

22. Financial commitments

Capital commitments

At 31 January 2004 and 31 January 2003, the Group and company had no capital commitments contracted but not provided for.

Operating lease commitments

At 31 January 2004, the Group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Land and buildings				
Leases which expire:				
Within one year	40	36	37	33
Within two to five years	139	107	129	107
After five years	48	28	-	14
	227	171	166	154
Other				
Leases which expire:				
Within one year	1	3	-	-
Within two to five years	4	4	-	3
After five years	6	1	-	-
	11	8	-	3

23. Contingent liabilities

In respect of the Group, the directors are not aware of any contingent liabilities. The company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 2004 was £7,229,000 (2003 - £6,403,000).

24. Pension schemes

Additional disclosures regarding the Group's defined benefit scheme are required under the transitional provisions of Financial Reporting Standard 17 'Retirement Benefits' ('FRS 17') and these are set out below. The disclosures relate to the third year of the transitional provisions. They provide information, which will be necessary for full implementation of FRS 17 in the year ended 31 January 2005.

This standard will require assets or liabilities arising from the Group's defined benefit pension scheme to be evaluated and accounted for in the primary financial statements on a new basis. As a transitional measure, the standard requires that the pension asset or liability calculated on the new basis is disclosed by way of memorandum in the notes to the accounts. *These disclosures are given at (b) below. The standard provides that the asset or liability recognised in the accounts at* 31 January 2004 should continue to be calculated according to Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' ('SSAP 24'). Disclosures relating to this calculation are given at (a) below.

(a) Disclosures made in accordance with SSAP 24

The company operates both defined benefit and defined contribution type pension schemes.

The assets of the S & U Plc defined benefit pension scheme are held under trust. The scheme is closed to new entrants. The scheme is subject to triennial valuation by independent actuaries, the last valuation being carried out as at 31 March 2001, using the projected unit method. The actuarial valuation described above has been updated at 31 January 2004 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued for this purpose at fair value.

The following actuarial assumptions were applied:

Investment returns	6% per annum.
Salary growth	4% per annum.
Pension increases	2.5% per annum in respect of post 5 April 1997 service and 0% per annum in respect of pre 6 April 1997 service.

At the last actuarial valuation date, the market value of the assets of the scheme was £1,411,865 and the actuarial value was sufficient to cover 105% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The surplus position produces a nil pension cost in the period and no contributions were made in the year and no further contributions from the company are foreseen. As a result of the surplus position, all benefits in the scheme were increased by 25% with effect from 1 April 1997.

(b) Disclosures made in accordance with FRS 17

A full actuarial valuation was carried out at 31 March 2001 and updated to 31 January 2004 by a qualified independent actuary. The valuation method used was the project unit method. The major assumptions used by the actuary were (in nominal terms):

	At year end 31 January 2004	At year end 31 January 2003	At year end 31 January 2002
Rate of increase in salaries	**4.2%**	3.8%	4.0%
Rate of increase in pensions in payment	**2.7%**	2.3%	2.5%
Discount rate	**5.5%**	5.5%	5.5%
Inflation assumption	**2.7%**	2.3%	2.5%

24. Pension schemes (continued)

The assets in the scheme and the expected rate of return were:

	Expected rate of return at year end 31 January 2004	Fair value at year end 31 January 2004 £000	Expected rate of return at year end 31 January 2003	Fair value at year end 31 January 2003 £000	Expected rate of return at year end 31 January 2002	Fair value at year end 31 January 2002 £000
Equities	7.5%	817	7.9%	652	6.8%	1,018
Bonds	5.5%	197	5.5%	192	5.2%	204
Cash	4.0%	13	4.0%	33	4.0%	2
Total fair value of assets		1,027		877		1,224
Actuarial value of liability		1,115		1,030		931
(Deficit)/surplus in the scheme		(88)		(153)		293
(Scheme deficit)/Useable surplus		(88)		(153)		146
Related deferred tax asset/(liability)		26		46		(44)
Net pension (deficit)/asset		(62)		(107)		102

Reserves note	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Profit and loss reserve excluding pension asset	33,477	30,610
Pension reserve	(62)	(107)
Profit and loss reserve	33,415	30,503

Amounts Included within Operating Profit	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Current Service Cost	10	10
Past Service Cost	37	-
	47	10

Analysis of amount credited to other finance income	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Expected return on pension scheme	63	80
Interest on pension scheme liabilities	(57)	(51)
	6	29

24. Pension schemes (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Actual returns less expected return	169	(427)
Experience gains and losses on liabilities	(43)	(63)
Changes in assumptions	(20)	25
Actuarial gain recognised in STRGL	106	(465)

Movement in (deficit)/surplus during the year

	Year to 31 January 2004 £000	Year to 31 January 2003 £000
(Deficit)/surplus in scheme at beginning of year	(153)	293
Movements in year		
Current service cost	(10)	(10)
Contributions	0	0
Past service cost	(37)	0
Other finance costs	6	29
Actuarial gain	106	(465)
Deficit in scheme at end of year	(88)	(153)

History of experience of gains and losses

	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Difference between expected and actual return on scheme assets:		
Amount (£)	169	(427)
Percentage of scheme assets	16%	(49%)
Experience gains or losses on scheme liabilities:		
Amount (£)	(43)	(63)
Percentage of scheme assets	(4%)	(6%)
Changes in assumptions:		
Amount (£)	(20)	25
Percentage of scheme assets	(2%)	2%
Total actuarial gain in the statement of total gains and losses:		
Amount (£)	106	(465)
Percentage of scheme assets	10%	(45%)

Five Year Financial Record

	2000 £000	2001 £000	2002 £000	2003 £000	2004 £000
Business Transacted	72,810	86,482	89,929	88,828	89,260
Turnover	26,479	31,892	34,430	34,996	33,929
Operating profit	6,188	8,449	10,397	8,793	9,693
Profit on ordinary activities before taxation	6,007	7,620	9,206	7,846	9,037
Corporation tax	(1,758)	(2,319)	(2,775)	(2,293)	(2,711)
Profit after taxation	4,249	5,301	6,431	5,553	6,326
Assets employed					
Fixed assets	2,980	2,873	2,768	2,646	2,474
Current assets	40,052	51,166	60,524	62,215	65,589
	43,032	54,039	63,292	64,861	68,063
Creditors	(15,229)	(23,797)	(29,942)	(29,398)	(29,832)
Shareholders' funds	27,803	30,242	33,350	35,463	38,231
Earnings per Ordinary share	34.9p	43.9p	53.5p	46.0p	52.6p
Dividends per Ordinary share	21.0p	23.5p	27.0p	28.0p	29.0p
Statistics					
Operating profit as a percentage of business transacted	8.5%	9.8%	11.6%	9.9%	10.9%
Profit on ordinary activities before taxation as a percentage of shareholders funds	21.6%	25.2%	27.6%	22.1%	23.6%
Net borrowings as a percentage of equity shareholders' funds	35.8%	58.9%	69.5%	68.3%	62.8%

The results for the years ended 31 January 2000 and 2001 have not been restated for the adoption of FRS 19. Hence, these results are not directly comparable to 2002, 2003 and 2004.

Notice of Meeting

Notice is hereby given that the sixty-sixth Annual General Meeting of S & U plc will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Friday 4 June 2004 at 11.30 a.m. for the following purposes:

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolution 9 will be proposed as a special resolution.

Ordinary Resolutions

1. To receive the directors' report and the company's annual accounts for the year ended 31 January 2004, 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 2004.

3. To declare a final ordinary dividend for the year ended 31 January 2004 of 21.0 pence per ordinary share in the capital of the company, to be paid on 2 July 2004 to shareholders whose names appear on the register at close of business on 4 June 2004.

4. To elect as a director Mr C Redford.

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

6. To re-elect as a director Mr M F Hepplewhite who retires by rotation.

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

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

Special Resolution

9. To adopt the following special resolution for the alteration of part of the articles of association of the company:
That regulation 128 in the existing articles of association be and is hereby deleted and that the following regulations be and are hereby inserted in its stead:

128 Method of payment

128.1 The company may pay any dividend, interest or other sum payable in respect of a share:

128.1.1 in cash or by cheque, warrant or money order;

128.1.2 by any bank or other funds transfer system;

128.1.3 in respect of shares in uncertificated form, where the company is authorised to do so by or on behalf of the holder or joint holders, by means of a relevant system (subject always to the facilities and requirements of that relevant system). Without prejudice to the generality of the preceding wording, such payment may include the sending by the company or by any person on its behalf of an instruction to the Operator of the relevant system to credit the cash memorandum account of the holder or joint holders or, if permitted by the company, of such person as the holder or joint holders may direct in writing; and/or

128.1.4 by such other means and to or through such person as the holder or joint holders may direct in writing.

128.2 Every such cheque, warrant or money order may be sent:

128.2.1 by post to the registered address of the person entitled to it;

128.2.2 in the case of joint holders (or of two or more persons being jointly entitled to a share by reason of the death or bankruptcy of a member or otherwise by operation of law), to the registered address of that person whose name stands first in the register (or, in the case of persons so entitled on death or bankruptcy, if their names are not entered in the register, to such of those persons whose surname is first alphabetically); or

128.2.3 to such person and address as the person or persons entitled may direct in writing.

Every cheque, warrant or money order is sent at the risk of the person entitled to the money represented by it. Without prejudice to the generality of the preceding wording, if any such cheque, warrant or money order has or is alleged to have been lost, stolen or destroyed, the Board may, if the person entitled to such cheque, warrant or money order requests it, issue a replacement cheque, warrant or money order (subject to compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the company in connection with the request as the Board thinks fit).

128.3 The company shall have no responsibility for any sum lost or delayed in the course of transfer by or through any bank or other funds transfer system (including the relevant system concerned) or when it has acted on any directions given in writing by the person or persons entitled to it.

128.4. The payment of the cheque, warrant or money order or the collection of funds from or transfer of funds by a bank or other funds transfer system in accordance with article 128.1 or, in respect of shares in uncertificated form, the making of payment in accordance with the facilities and requirements of the relevant system concerned shall be a good discharge to the company.

128.5 Any joint holder or other person jointly entitled to any share may give an effective receipt for all dividends and other monies paid in respect of such share.

128.6 Without prejudice to any other provision of these articles, the Board may withhold payment of any dividend payable to any person entitled to a share by reason of the death or bankruptcy of the holder, or of any other event giving rise to a transmission of such entitlement by operation of law, until such person has provided such evidence of his right as the Board may reasonably require.

By Order of the Board

C Redford
Secretary
26 April 2004
Registered office: Royal House, Prince's Gate,
Homer Road, Solihull, West Midlands B91 3QQ

Notes:

1. Any member of the company entitled to attend and vote at this meeting may appoint a person or persons as a proxy to attend and, on a poll, to vote in his stead. A proxy need not be a member of the company. Proxy forms must be lodged with the registrars not later than 48 hours before the time fixed for the meeting.
2. In accordance with the company's articles of association, holders of the 6% and 31.5% Cumulative Preference Shares are not entitled to attend or vote in respect of these shares at this Annual General Meeting.
3. The following information is available for inspection during normal business hours at the registered office of the company (excluding weekends and public holidays). It will also be available for inspection at the place of the annual general meeting from 11am on the day of the meeting until the conclusion of the meeting:
   (a) the register of interests of directors and their connected persons in the share capital of the company;
   (b) copies of the directors service contracts.
4. Biographical details of those directors who are offering themselves for election or re-election are set out on page 8 of the enclosed annual report and accounts.
5. The Company's articles of association (article 128) currently provide that dividends may only be paid by cheque or warrant sent through the post.

   A number of the Company's shareholders have requested that dividends be paid by bank or other electronic forms of transfer and consequently the directors propose to substitute the current article 128 with the new regulation which is contained in the notice of annual general meeting appearing on pages 45 and 46 of this document.

   The effect of this amendment to the Company's articles of association is to give your board the requisite authority to pay dividends by cash or by cheque, warrant or money order or by any bank or other funds transfer system.

   The proposed amendment to the Company's articles of association is, in the opinion of the directors, in the best interests of the Company's shareholders as a whole and they accordingly recommend shareholders to vote in favour of the resolution.

Locations

ALDERSHOT

BACUP

BIRMINGHAM

BRISTOL

DUNSTABLE

EDINBURGH

FALMOUTH

GRIMSBY

HEREFORD

IPSWICH

LEICESTER

LONDON

NEATH

NEWCASTLE-ON-TYNE

NEWTON ABBOT

NOTTINGHAM

PENMAENMAWR

PENRITH

PETERBOROUGH

SHEFFIELD

SOUTHAMPTON

STOKE-ON-TRENT

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