S&U PLC

ANNUAL REPORT

AND ACCOUNTS

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Welcome to S & U plc, we are the United Kingdom's foremost niche consumer and motor finance provider, with operations throughout the United Kingdom.

Our Strategy is to focus on providing a reliable, consistent and trustworthy service. We are proud to provide 130,000 people throughout the country with their consumer and motor finance requirements.

Financial Highlights

	2005 £000	2004 £000
BUSINESS TRANSACTED	95,089	89,260
TURNOVER	36,363	33,929
OPERATING PROFIT	11,122	9,693
PROFIT BEFORE TAXATION	9,758	9,037
EARNINGS PER ORDINARY SHARE	56.8p	52.6p
DIVIDEND PER ORDINARY SHARE	31.0p	29.0p

"Excellent dividend growth every year since 1988 is our proud achievement"

Financial Calendar

Annual General Meeting			20 May 2005
Announcement of results	Half year ending 31 July 2005 Year ending 31 January 2006		September 2005 March 2006
Payment of dividends	6% Cumulative Preference shares		30 September 2005 & 31 March 2006
	31.5% Cumulative Preference shares		31 July 2005 & 31 January 2006
	Ordinary shares	- 2005 Final Record Date Ex-dividend Date - 2006 Interim	3 June 2005 6 May 2005 4 May 2005 November 2005

Chairman's Statement

> "Excellent dividend growth every year since 1988 is our proud achievement."

Results

Good news for S & U Plc. Business transacted for the year is £95.1m compared to £89.3m last year. Profit on ordinary activities before tax for the year ended January 2005 is £9.8m compared to £9.0m for 2004. Earnings per share increased from 52.6p to 56.8p, providing good cover.

You will recall that we increased our dividend by 1p for the first half year's trading and we are now very pleased to announce an additional 1p for the second half, making a combined dividend increase of 2p for the year as a whole. The dividend for ordinary shares of 22p per share will be paid on the 3 June 2005 and the shares will be dealt ex dividend from the 4 May 2005. Excellent dividend growth every year since 1988 is our proud achievement and we hope to continue this trend.

Home Collected Credit

I am pleased to say that all three home collected credit companies, which include Wilson Tupholme and S D Taylor as well as S & U itself, have shown good progress throughout the year. Tight selection and training of new representative personnel is a standard which we must always maintain and which underpins profit growth in this division.

Advantage Finance Limited – Motor Car Finance

I am very proud of the performance of Advantage Finance Limited, which has only been in existence since 1999, when I introduced it to the S & U Group as a start-up business in Grimsby.

The management structure is first class. Pre-tax profits have risen in that short period from a predictable trading loss in the first year, to now producing profits rising to over £2m for last year's trading, with a projected target of £2.45m for the year ahead. Their trading pattern in recent months validates that ambition. Prospects for the longer term are healthy and the Directors are confident of further significant profit growth.

Staff

I am very pleased to announce that Guy Thompson is now a full member of the Board, although his prime responsibility is and will remain Advantage Finance.

"Advantage profits rising to over £2m for last year's trading."

I would like to congratulate all members of staff throughout the Group on their positive contribution to the year's results.

I would like to pay a special tribute to Jim Coates, who was the MD of our Wilson Tupholme subsidiary for many years. Sadly he died recently and he will be sorely missed. Jim was a man who won the hearts and minds of his staff and we will always remember him.

Outlook for the Group

We hope and expect the results for the coming year will justify the confidence expressed in this statement.

We would like to thank all Shareholders for their support.

Derek M Coombs
Chairman
30 March 2005

Managing Director's Report

> "Record set of results – Our balance sheet remains strong."

I am pleased to announce a record set of results for your company which confirm our confidence in the future and an improved economic environment of a year ago. Profits before tax are £9.758m against £9.037m and our operating profits rose by 14.7% against a 10.2% increase last year. We have again slightly exceeded our broker's forecast.

Our balance sheet remains strong. Whilst gearing has risen slightly to 63.5%, this reflects further net investment of £2.3m in our Advantage motor finance business and in purchasing good quality debt for our home collected division as we take advantage of further consolidation within that industry.

It is encouraging that our performance was broad based across all our companies. Home credit improved profit by about 9% with every company contributing. Following the problems of 2 years ago the performance of the S & U (southern) subsidiaries was particularly encouraging. Advantage Finance, our motor finance business, again increased turnover by 21.0% and profits by nearly 32% as it continues to develop its niche market in providing finance and administrative support to small and medium sized dealers within the sub-prime market.

The quality of our principal asset, our book debt, remains good. Bad debt in both divisions, particularly in our larger home credit business, was almost exactly on budget – a not inconsiderable achievement given the recent unwarranted changes in bankruptcy legislation and the growth in the "money advice" and debt consolidation industry. Again Group expenses reflect our usual prudent approach as well as investment in new home credit branches and the Advantage sales operation.

As always, in anticipating the current financial year I temper optimism with realism. Undoubtedly the recent fall in consumer confidence and mixed fortunes in the high street have been reflected in our recent trading. Progress in the second half was slower than in the first; lower economic growth, an impending General Election, new regulations and the current Competition Commission Inquiry into the home credit industry all urge caution this year.

Whilst reflecting this, our business plans nevertheless provide for further advances in both profitability and returns to shareholders in the current financial year.

Operating Results

	Year Ended 31 January 2005 £m	Year Ended 31st January 2004 £m
Business Transacted	95.1	89.3
Gross Profit	33.3	30.9
Operating Expenses	(16.7)	(16.3)
Doubtful Debt	(5.5)	(4.9)
Operating Profit	11.1	9.7
Interest	(1.3)	(1.0)
Profit on the sale of fixed assets	-	0.3
Profit before Taxation	9.8	9.0

Home Credit

This division produced a creditable and consistent performance. With sales rising slightly faster than inflation, bad debt almost exactly on budget and call numbers rising in two of three companies, we are able to grow our Representative force for the first time in a decade.

Operating profit against business transacted therefore improved to over 11%, with operating profit itself improving from £7.3m to £8.0m. In an industry recognised as mature and from which in the past year Morses have disappeared and other major players gradually withdrawn, this is an encouraging performance. We continue to seek opportunities from industry consolidation by purchasing good quality book debt. We have broadened our product range by the introduction of the ARGOS retail voucher and maintain our roll out of new technology which should reap benefits in terms of customer analysis and Representative support in the near future. New regulations have required slight changes in advertising and documentation as well as the replacement of our insurance offer to customers. Further legislation increasing rebates for early settlement will have little impact on gross margins.

More difficult to predict will be the long term effect on the industry of the spate of Government and consumerist initiatives I mentioned in our Interim Results in the summer. Assuming the Consumer Credit Bill survives pre-election Parliamentary bargaining, the industry will need reassurance that the new Alternative Dispute Resolution procedures, allied to a new definition of "unfair credit transactions" will be sensibly applied so as to allow responsible licensed lenders to maintain a supply of credit to the sub-prime sector.

Unfortunately, the industry's quest for certainty has been further hindered by the current Competition Commission Inquiry. Hopefully a more rigorous and objective investigation than that by the National Consumer Council (which brought it about), it nevertheless requires considerable management and legal resources at a time when other changes and regulations are complicating the task of serving our valued and loyal customers. We must hope that common-sense will guide the Commission's findings and that these will recognise the enormously important role the industry plays in providing responsible and flexible credit to 3 million people in Britain.

Advantage Finance

Our motor finance subsidiary, based in Grimsby but with a broadening geographical reach across the UK, goes from strength to strength. Profits before tax have exceeded £2m for the first time, on transactions over 10% higher than last year. Current assets have risen by £4.1m whilst the quality of our recent deal tranches is higher than ever. Collections are at record levels and add-on penetration close to budget.

Sales and marketing teams have been reorganised to emphasise the paramount importance of our relationship with our key dealers. This process has been, ironically, strengthened by recent changes to insurance regulations which has enabled Advantage to capitalise upon these long standing partnerships. This is a market niche inadequately served by the larger sub-prime players and which particularly suits Advantage's emphasis on speed and reliability of service, consistency of underwriting and finance broking.

Our confidence in the business has been rewarded by a further increase in the return on capital invested - some £2.3m last year. It is also reflected in the promotion of its Managing Director, Guy Thompson, to the S & U main Board and his organisational and marketing skills will benefit both Advantage and S & U as a whole in the years to come.

Group Profit, Dividend and Earnings Per Share

	Year ended 31 January 2005 £m	6 months ended 31 January 2005 £m	6 months ended 31 July 2004 £m	Year ended 31 January 2004 £m	6 months ended 31 January 2004 £m	6 months ended 31 July 2003 £m
Profit before tax	9.8	4.9	4.9	9.0	4.8	4.2
Profit after tax	6.8	3.4	3.4	6.3	3.4	2.9
Earnings per share	56.8p	28.1p	28.7p	52.6p	28.1p	24.5p
Dividends per share	31.0p	22.0p	9.0p	29.0p	21.0p	8.0p

These figures reflect a slowing in profits and turnover growth across the Group in the second half of the year as consumer confidence weakened. Nevertheless the levels of growth we anticipate in the coming year justify, allowing for a slightly improved level of cover, an increase in dividend of 1p for every Ordinary Share making a final payment of 22p (2004 - 21p) and a total of 31p (2004 - 29p) for the year.

Managing Director's Report *(continued)*

Capital Structure, Liquidity and Treasury

S & U's balance sheet and financing arrangements are strong, and conservative compared to our peers within the finance industry. Our current gearing at 63.5% is less than our gearing 2 years ago; our cash generative home credit businesses have financed a net investment of £3.5m in Advantage Finance and over £0.5m of home credit acquisitions during this period.

Our current bank facilities fully support further budgeted investment on an organic basis. Further facilities are available for new ventures if required. Meanwhile, the current interest rate climate appears benign in historical terms. The financial markets have consistently overstated the potential for increases in interest rates and therefore, although we remain ready to do so, we have not yet put hedging agreements in place until pricing is more realistic.

The effective rate of taxation for the year was 30% (2004 – 30%).

The Future

Despite the current regulatory review, we remain confident in the health of the sub-prime finance sector and our ability to service it. Our management team is focused on both improving the efficiency of our existing operations and finding ways of augmenting them with new products and new businesses. To this end, we investigate the potential for a third leg to support and complement our established home credit and faster growth motor finance operation.

Undoubtedly, current initiatives will continue to bring changes in the environment in which we work. We will use these changes as the impetus for further improvements in efficiency and even greater focus on the needs of our customers. We prosper not least because of the lasting loyalty and commitment of our staff - to whom I pay tribute. In particular, we remember the life and work of Jim Coates, Managing Director of Wilson Tupholme for 20 years, who died suddenly in February. It is upon people like Jim, and the hard work and energy of everyone at S & U that the current record results, and the future progress of which I am confident, depend.

Anthony M V Coombs
Managing Director
30 March 2005

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	*(Finance Director)*
J G Thompson	*(Appointed 23 March 2005)*
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

Registered Office
Royal House
Prince's Gate
Homer Road
Solihull
West Midlands B91 3QQ
Tel: 0121 705 7777

Registrars
Capita IRG plc
The Registry
34 Beckenham Road
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)* *(Nominations Committee)*	Chairman since 1975. Managing Director 1975 to April 1999. Former Member of Parliament. Chairman and Chief Executive, Prospect Publishing Limited. Political journalist. Was previously, non-executive director, Metalrax Group Plc. Chairman, Wentforth Properties since 1987.
Anthony M V Coombs MA (Oxon) *(Managing Director)* *(Nominations Committee)*	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 chairing the trustees of the National Institute for Conductive Education.
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.
Guy Thompson	Guy joined the Group in 1999 as Managing Director of Advantage Finance and has overseen an excellent performance in their first 6 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.
Mark F Hepplewhite LLB (Hons) FCA *(Non-executive)* *(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 *(Non-executive)* *(Audit and Remuneration Committees)*	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)* *(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 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 2005.

Activities

The principal activity of the Group continues to be that of consumer credit and car finance 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 page 2 and the managing director's report on pages 4 to 6. For year commencing 1 February 2005, the Group plans to work closely with its auditors to ensure that the requirements of International Financial Reporting Standards are met.

Results and dividends

The Group's profit on ordinary activities after taxation was £6,822,000 (2004 – £6,326,000). Dividends of £3,792,000 (2004 – £3,558,000) were paid and proposed during the year, leaving retained profits of £3,030,000 (2004 – £2,768,000) to be transferred to reserves.

The directors recommend a final dividend, subject to shareholders approval of 22.0p per share (2004 – 21.0p). This, together with the interim dividend of 9.0p per share (2004 – 8.0p) paid during the year, makes a total dividend for the year of 31.0 p per share (2004 – 29.0p).

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 2005		At 31 January 2004	
	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	–	543,330	–	538,110
G D C Coombs	–	565,970	–	565,970
M F Hepplewhite	–	7,000	–	7,000
K R Smith	–	15,000	–	10,000
D Markou	–	2,000	–	2,000
F Coombs	–	33,550	–	33,550
C H 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 2005 and 31 March 2005.

Directors' Report *(continued)*

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 2005 (2004 - 298,048). During the year the company obtained supplies amounting to £9,687 (2004 £9,791) from Grevayne Properties Limited. The amount due to Grevayne Properties Limited at the year end was £nil (2004 - £nil).

As at 31 January 2005 £5,885 (2004 - £16,383) was outstanding from the Director's loan account of D M Coombs. The maximum amount outstanding in the year was £16,991 (2004 - £20,528). The balance outstanding was subsequently cleared in February 2005.

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 J G Thompson offers himself for election and Messrs G D C Coombs and F 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 30 March 2005, 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 £8,560 (2004 - £10,430). 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 2005 were 52 days (2004 – 54 days), and trade creditor days for the company were 52 days (2004 – 54 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 & 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
30 March 2005

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; 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 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 2004 nor will any be made in respect of the year ended January 2005 with the exception of a £5,000 bonus payable to Mr C H Redford who joined the Board during the year.

Pension arrangements

The company makes contributions to a defined contribution pension scheme in respect of A M V Coombs, G D C Coombs and C H Redford. 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 G D C Coombs is proposed for re-election at the next annual general meeting. Mr J G Thompson is proposed for election at the next annual general meeting as an executive director. Mr F Coombs, 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 £14,000 to £15,000. Non executives are not eligible to join the company's pension scheme.

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

AUDITED INFORMATION

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2005 £000	2004 £000
Emoluments	780	658
Money purchase pension contributions	49	44
	829	702

Directors' emoluments

	Fees £000	Salaries £000	Bonus £000	Benefits in kind £000	Pension £000	Total 2005 £000	Total 2004 £000
Executive directors							
D M Coombs	17	206	–	38	–	261	243
A M V Coombs	17	168	–	24	24	233	222
G D C Coombs	17	143	–	9	21	190	179
C H Redford *	–	64	5	14	4	87	–
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
	109	581	5	85	49	829	702

* C H Redford was appointed from 1 March 2004

Directors' pension entitlements

3 directors are members of money purchase schemes. Contributions paid by the company in respect of such directors are shown above.

Approval

This report was approved by the board of directors on 23 March 2005 and signed on its behalf by:

Keith Smith
Chairman of the Remuneration Committee

Corporate Governance

In July 2003 the FRC Combined Code was issued by the London Stock Exchange. 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 four 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. 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 considers the performance of the directors and committees on an ongoing basis, and the commitments 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.

The Board has designated Mr K R Smith as senior independent director. The Nominations Committee is composed of the Chairman, the Managing Director and Mr K R Smith. Three out of the four non-executive directors are considered to be independent. 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 Audit Committee is composed of the three independent non-executive directors who are Mr M F Hepplewhite, Mr D Markou and Mr K R Smith. 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.

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.

Corporate Governance *(continued)*

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. 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 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.

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.

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

Throughout the year ended 31 January 2005 the company has been in compliance with the Code provisions set out in Section 1 of the July 2003 FRC Combined Code on Corporate Governance except for the following matters:

Section B.1 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.

Section B.2 of the code, which prescribes that all directors of the remuneration committee should be independent non executive. This has been the case since 13 January 2005 when Mr F Coombs resigned from the remuneration committee, however for the first part of the year this provision was not met.

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
30 March 2005

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 2005 which comprise the profit and loss account, the balance sheets, the cash flow statement, the related notes 1 to 23, 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 nine provisions of the July 2003 FRC 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 covers 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 2005 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
30 March 2005

Consolidated Profit and Loss Account

Year ended 31 January 2005

	Note	2005 £000	2004 £000
Business transacted	1	95,089	89,260
Turnover	1,2	36,363	33,929
Cost of sales		(3,067)	(3,063)
Gross profit		33,296	30,866
Other expenses		(16,679)	(16,240)
Provision for doubtful debt		(5,495)	(4,933)
Total administrative expenses		(22,174)	(21,173)
Operating profit	4	11,122	9,693
Profit on sale of fixed assets		-	312
Net interest payable	5	(1,364)	(968)
Profit on ordinary activities before taxation		9,758	9,037
Tax on profit on ordinary activities	6	(2,936)	(2,711)
Profit on ordinary activities after taxation being profit for the financial year		6,822	6,326
Dividends paid and proposed – including amounts in respect of non equity shares	8	(3,792)	(3,558)
Retained profit for the financial year		3,030	2,768
Basic and Diluted Earnings per Ordinary share	9	56.8p	52.6p
Dividends per Ordinary share	8	31.0p	29.0p

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 2005

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	Total £000
The Group				
Balance at 1 February 2004	2,136	501	33,477	36,114
Transfer of depreciation on freehold properties	–	(5)	5	–
Retained profit for the financial year	–	–	3,030	3,030
Balance at 31 January 2005	**2,136**	**496**	**36,512**	**39,144**
The Company				
Balance at 1 February 2004	2,136	40	12,428	14,604
Transfer of depreciation on freehold properties	–	(1)	1	–
Retained profit for the financial year	–	–	94	94
Balance at 31 January 2005	**2,136**	**39**	**12,523**	**14,698**

Company Balance Sheet

31 January 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Fixed assets					
Tangible assets	10		649		634
Investments	11		2,893		2,893
			3,542		3,527
Current assets					
Stocks	13		56		60
Debtors:					
– Amounts receivable from customers	12	16,779		15,879	
– Other debtors	14	22,454		18,718	
			39,233		34,597
Cash at bank and in hand			13		7
			39,302		34,664
Creditors: amounts falling due within one year	15		(6,029)		(21,470)
Net current assets			33,273		13,194
Total assets less current liabilities			36,815		16,721
Creditors: amounts falling due after more than one year	16		(20,000)		-
Net assets			16,815		16,721
Capital and reserves					
Called up share capital	17		2,117		2,117
Share premium account			2,136		2,136
Revaluation reserve			39		40
Profit and loss account			12,523		12,428
Total shareholders' funds			16,815		16,721
Attributable to equity shareholders			16,165		16,071
Attributable to non-equity shareholders			650		650
			16,815		16,721

These financial statements were approved by the Board of Directors on 30 March 2005.

Signed on behalf of the Board of Directors

D M Coombs } *Directors*
A M V Coombs

Consolidated Balance Sheet

31 January 2005

	Note	2005	2005	2004	2004
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		2,357		2,474
Current assets					
Stocks	13		91		105
Debtors:					
– *Amounts receivable from customers (including* £16,758,000 falling due after one year (2004 – £14,520,000))	12	70,557		64,526	
– Other debtors	14	840		948	
			71,397		65,474
Cash at bank and in hand			14		10
			71,502		65,589
Creditors: amounts falling due within one year	15		(12,598)		(29,832)
Net current assets			58,904		35,757
Total assets less current liabilities			61,261		38,231
Creditors: amounts falling due after more than one year	16		(20,000)		-
Net assets			41,261		38,231
Capital and reserves					
Called up share capital	17		2,117		2,117
Share premium account			2,136		2,136
Revaluation reserve			496		501
Profit and loss account			36,512		33,477
Total shareholders' funds			41,261		38,231
Attributable to equity shareholders			40,611		37,581
Attributable to non-equity shareholders			650		650
			41,261		38,231

These financial statements were approved by the Board of Directors on 30 March 2005.

Signed on behalf of the Board of Directors

D M Coombs
A M V Coombs } *Directors*

Consolidated Cash Flow Statement

Year ended 31 January 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
Net cash inflow from operating activities	19		6,091		7,115
Returns on investments and servicing of finance					
Interest received		-		2	
Interest paid		(1,343)		(992)	
Preference dividends paid		(154)		(154)	
Net cash outflow from returns on investments and servicing of finance			(1,497)		(1,144)
Taxation			(2,815)		(2,516)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(567)		(760)	
Proceeds of sale of fixed assets		133		676	
Net cash outflow for capital expenditure and financial investment			(434)		(84)
Equity dividends paid			(3,521)		(3,289)
Cash (outflow)/inflow before financing			(2,176)		82
Financing					
Repayment of secured loan		(15,000)		-	
New secured loans		20,000		-	
Net cash inflow from financing			5,000		-
Increase in cash in the year			2,824		82

Reconciliation of net cash flow to movement in net debt

	2005 £000	2004 £000
Increase in cash in the year	2,824	82
Cash inflow from increase in debt	(5,000)	-
Movement in net debt in the year	(2,176)	82
Opening Net Debt	(23,601)	(23,683)
Closing Net Debt (note 20)	(25,777)	(23,601)

Note of Historical Cost Profits and Losses

Year ended 31 January 2005

	2005 £000	2004 £000
Profit on ordinary activities before taxation	9,758	9,037
Realisation of property revaluation gains of previous years	–	92
Difference between historical cost depreciation charge and actual depreciation charge on the revalued amount	5	7
Historical cost profit on ordinary activities before taxation	9,763	9,136
Historical cost profit for the year retained after taxation and dividends	3,035	2,867

Reconciliation of Movements in Consolidated Shareholders' Funds

Year ended 31 January 2005

	2005 £000	2004 £000
Profit for the financial year	6,822	6,326
Dividends	(3,792)	(3,558)
Net addition to shareholders' funds	3,030	2,768
Opening shareholders' funds	38,231	35,463
Closing shareholders' funds	41,261	38,231
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	40,611	37,581
	41,261	38,231

Notes to the Accounts

Year ended 31 January 2005

1. Accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom 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 for the year ended 31 January.

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 amounts of goods and services supplied plus credit charges received or receivable.
● 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 continue to be held at modified historic cost.

Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On the disposal or recognition of a provision for impairment of a revalued fixed asset, any related balance remaining in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

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. Gross profit is deferred on a 'sum of digits' basis, over the contractual period of the agreements.

Stocks

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

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 by the balance sheet date.

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	
	2005	2004	2005	2004	2005	2004
	£000	£000	£000	£000	£000	£000
Class of business						
Home credit, rentals and other retail trading	27,230	26,381	7,963	7,299	57,345	55,982
Car finance	9,133	7,548	3,159	2,394	9,707	5,860
	36,363	33,929	11,122	9,693	67,052	61,842
Borrowings					(25,791)	(23,611)
					41,261	38,231

3. Information regarding employees

	2005	2004
	No	No
The average number of persons employed by the group in the year was:		
Consumer credit, rentals and other retail trading	277	287
Car finance	69	64
	346	351

	2005	2004
	£000	£000
Staff costs during the year (including directors):		
Wages and salaries	7,438	7,148
Social security costs	725	678
Pension costs for money purchase scheme	141	136
	8,304	7,962

4. Operating profit

Operating profit is after charging/(crediting):	2005 £000	2004 £000
Depreciation and amortisation:		
Owned assets	493	528
Rentals under operating leases:		
Hire of plant and machinery	5	6
Other operating leases	303	269
Auditors' remuneration:		
Statutory audit	60	58
Tax compliance work	14	16
Other services		
– Taxation advice	12	15
– Other advisory work	8	–
Loss on sale of fixed assets	58	42
Rentals received/receivable under operating leases	(204)	(223)

The audit fee for the company was £27,000 (2004 - £26,000).

5. Net interest payable

	2005 £000	2004 £000
Bank loan and overdraft	1,353	1,090
Profit on closure of interest rate swap	–	(131)
Other interest payable	11	11
Interest payable and similar charges	1,364	970
Interest receivable	–	(2)
	1,364	968

6. Tax on profit on ordinary activities

	2005 £000	2004 £000
Corporation tax at 30% (2004 – 30%) based on the profit for the year	2,939	2,703
Adjustment in respect of prior years	2	(7)
	2,941	2,696
Deferred tax (timing differences – origination and reversal)	(5)	15
	2,936	2,711

6. Tax on profit on ordinary activities (continued)

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

	2005 £000	2004 £000
Profit on ordinary activities before tax	**9,758**	9,037
Tax on profit on ordinary activities at standard rate of 30% (2004 – 30%)	**2,927**	2,711
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	**9**	16
Non-qualifying depreciation	**3**	(15)
Chargeable gains	**-**	85
Disposal proceeds of ineligible disposals	**-**	(94)
Prior period adjustments	**2**	(7)
Total actual amount of current tax	**2,941**	2,696

7. 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 £3,886,000 (2004 – £4,011,000).

8. Dividends

	2005 £000	2004 £000
Interim paid – 9.0p per Ordinary share (2004 – 8.0p)	**1,056**	939
Final proposed – 22.0p per Ordinary share (2004 – 21.0p)	**2,582**	2,465
Ordinary dividends on equity shares	**3,638**	3,404
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	**3,792**	3,558

9. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £6,822,000 (2004 – £6,326,000) from which is deducted Preference dividends of £154,000 (2004 – £154,000) giving earnings of £6,668,000 (2004 – £6,172,000).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (2004 – 11,737,228). There are no dilutive shares.

10. Tangible fixed assets

The Group	Freehold *land and* buildings	Computers *and motor* vehicles	Fixtures *and* fittings	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 February 2004	1,141	3,266	1,299	5,706
Additions	7	443	117	567
Disposals	-	(825)	(4)	(829)
At 31 January 2005	**1,148**	**2,884**	**1,412**	**5,444**
Accumulated depreciation				
At 1 February 2004	214	1,964	1,054	3,232
Charge for the year	22	386	85	493
Disposals	-	(634)	(4)	(638)
At 31 January 2005	**236**	**1,716**	**1,135**	**3,087**
Net book value				
At 31 January 2005	**912**	**1,168**	**277**	**2,357**
At 31 January 2004	927	1,302	245	2,474

Comparable amounts determined according to the historical cost convention:

Cost	558	2,884	1,412	4,854
Accumulated deprecation	(142)	(1,716)	(1,135)	(2,995)
Net book value				
At 31 January 2005	**416**	**1,168**	**277**	**1,861**
At 31 January 2004	424	1,302	245	1,971

Included in the above is land at a cost or valuation of £60,000 (2004 - £60,000) which is not depreciated.

10. Tangible fixed assets (continued)

The Company	Freehold land and buildings £000	Computers and motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 February 2004	80	1,156	599	1,835
Additions	–	227	48	275
Disposals	–	(324)	–	(324)
At 31 January 2005	**80**	**1,059**	**647**	**1,786**
Accumulated depreciation				
At 1 February 2004	16	692	493	1,201
Charge for the year	1	152	30	183
Disposals	–	(247)	–	(247)
At 31 January 2005	17	597	523	1,137
Net book value				
At 31 January 2005	**63**	**462**	**124**	**649**
At 31 January 2004	64	464	106	634

Comparable amounts determined according to the historical cost convention:

	Freehold land and buildings £000	Computers and motor vehicles £000	Fixtures and fittings £000	Total £000
Cost	30	1,059	647	1,736
Accumulated depreciation	(6)	(597)	(523)	(1,131)
Net book value				
At 31 January 2005	**24**	**462**	**124**	**605**
At 31 January 2004	21	464	106	591

Included in the above is land at cost of £22,000 (2004 - £22,000) which is not depreciated.

10. Tangible fixed assets (continued)

Freehold land and buildings at cost or valuation are stated:

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
At open market valuation for existing use in 1973	840	840	60	60
At cost	308	301	20	20
	1,148	1,141	80	80

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

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
	245	274	74	83

11. Investments

The Company	£000
Shares in subsidiary companies	
At 1 February 2004 and 31 January 2005	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

12. Amounts receivable from customers

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Gross instalment credit receivables	**97,633**	87,463	**20,660**	19,989
Less: Provision for doubtful debt	**(10,353)**	(8,452)	**(1,637)**	(2,015)
Instalment credit receivables after provision	**87,280**	79,011	**19,023**	17,974
Less: Deferred revenue	**(16,723)**	(14,485)	**(2,244)**	(2,095)
	70,557	64,526	**16,779**	15,879
Amounts receivable under finance leases and hire purchase agreements included above	**27,179**	23,411	**480**	449
Value of assets acquired during the year to be leased under finance leases or hire purchase agreements	**16,687**	14,366	**267**	333
Rentals received during the year in respect of finance leases and hire purchase agreements	**14,776**	13,317	**598**	629

13. Stocks

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Finished goods and goods for resale	**91**	105	**56**	60

14. Other Debtors

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts owed by subsidiary undertakings	–	–	22,123	18,317
Deferred tax asset	58	53	26	26
Corporation tax recoverable	65	91	60	91
Other debtors	420	481	143	142
Prepayments and accrued income	297	323	102	142
	840	948	22,454	18,718

All the above amounts fall due within one year.

Movement on deferred taxation balance in the period

	£000
Opening balances	53
Credit to profit and loss account	5
Closing balance	58

Analysis of deferred tax balance

	2005	2004
	£000	£000
Capital allowances in excess of depreciation	56	52
Short term timing differences	2	1
	58	53

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.

15. Creditors: amounts falling due within one year

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank overdrafts	5,791	8,611	709	1,177
Bank loan	–	15,000	–	15,000
Trade creditors	571	749	121	313
Amounts owed to Group undertakings	–	–	1,746	1,723
Corporation tax	1,463	1,363	238	318
Other taxation and social security	211	249	101	106
Other creditors	670	524	303	230
Accruals and deferred income	1,233	794	152	61
Proposed dividend	2,659	2,542	2,659	2,542
	12,598	29,832	6,029	21,470

S & U plc had the following overdraft facilities available at 31 January 2005:

A facility for £10 million (2004 – £10m) was reviewed in October 2004 and is subject to annual review.

A facility for £2 million (2004 – £2m) was reviewed in October 2004 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 18.

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

	The Group		The Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loan	20,000	–	20,000	–
	20,000	–	20,000	–

The bank loan is secured over the assets of the Group under a multilateral guarantee.

A maturity analysis of the above borrowings is given in note 18.

17. Called up share capital

		2005 £000	2004 £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	6.0% 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.

18. Financial instruments

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

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 2005 the Group's indebtedness amounted to £25,791,000 (2004 - £23,611,000). The gearing was 63.5% (2004 - 62.8%), 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.

Notes to the Accounts *(continued)*

Year ended 31 January 2005

18. Financial instruments (continued)

The disclosures below exclude short term debtors and trade creditors.

Sterling financial liabilities

	2005 £000	2004 £000
Fixed rate	650	650
Floating rate (not hedged)	25,791	23,611
	26,441	24,261

The weighted average interest rate on fixed rate financial liabilities at 31 January 2005, being preference share capital having no maturity date, was 24% (2004 - 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

	2005 £000	2004 £000
Fixed rate	16,758	14,520
Non-interest bearing	14	10
	16,772	14,530

The weighted average interest rate on fixed rate financial assets at 31 January 2005 was 29.6% (2004 - 29.7%), with a weighted average period of 2.2 years (2004 - 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 2005 was as follows:

	2005 £000	2004 £000
In one year or less or on demand	5,791	23,611
In more than two years but not more than five years	20,000	-
In more than five years	650	650
	26,441	24,261

18. Financial instruments (continued)

S & U Plc has unused committed borrowing facilities at 31 January 2005 of £6.2 million (2004 - £3.4m).

Fair values of financial assets and financial liabilities

	2005		2004	
	Book value	Fair value	Book value	Fair value
	£000	£000	£000	£000
Primary financial instruments:				
Net indebtedness	(25,777)	(25,777)	(23,601)	(23,601)
Preference share capital	(650)	(2,099)	(650)	(2,086)
Amounts receivable from customers (falling due after more than one year)	16,758	15,008	14,520	13,154

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 2005 and 2004.

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.

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

	2005	2004
	£000	£000
Operating profit	11,122	9,693
Depreciation	493	528
Loss on sale of fixed assets	58	42
Decrease in stocks	14	109
Increase in amounts receivable from customers	(6,031)	(3,577)
Decrease/(increase) in debtors	87	(4)
Increase in creditors	348	324
Net cash inflow from operating activities	6,091	7,115

20. Analysis of net debt

	31 January 2004 £000	Cash flow £000	31 January 2005 £000
Cash at bank and in hand	10	4	14
Bank overdraft	(8,611)	2,820	(5,791)
	(8,601)	2,824	(5,777)
Debt due within one year	(15,000)	15,000	–
Debt due after more than one year	–	(20,000)	(20,000)
	(23,601)	(2,176)	(25,777)

21. Financial commitments

Capital commitments
At 31 January 2005 and 31 January 2004, the Group and company had no capital commitments contracted but not provided for.

Operating lease commitments
At 31 January 2005, the Group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Land and buildings				
Leases which expire:				
Within one year	35	40	30	37
Within two to five years	199	139	139	129
After five years	–	48	–	–
	234	227	169	166
Other				
Leases which expire:				
Within one year	–	1	–	–
Within two to five years	5	4	–	–
After five years	–	6	–	–
	5	11	–	–

22. 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 2005 was £4,745,947 (2004 - £7,229,000).

23. 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 fourth year of the transitional provisions. They provide information, which will be necessary for full implementation of FRS17 in the year ending 31 January 2006.

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 2005 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 2005 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.

(b) Disclosures made in accordance with FRS 17

A full actuarial valuation was carried out at 31 March 2001 and updated to 31 January 2005 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 2005	At year end 31 January 2004	At year end 31 January 2003
Rate of increase in salaries	**4.4%**	4.2%	3.8%
Rate of increase in pensions in payment	**2.9%**	2.7%	2.3%
Discount rate	**5.2%**	5.5%	5.5%
Inflation assumption	**2.9%**	2.7%	2.3%

23. Pension schemes (continued)

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

	Expected rate of return at year end 31 January 2005	Fair value at year end 31 January 2005 £000	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
Equities	7.6%	820	7.5%	817	7.9%	652
Bonds	5.2%	193	5.5%	197	5.5%	192
Cash	4.7%	14	4.0%	13	4.0%	33
Total fair value of assets		1,027		1,027		877
Actuarial value of liability		(1,050)		(1,115)		(1,030)
Deficit in the scheme		(23)		(88)		(153)
Scheme deficit		(23)		(88)		(153)
Related deferred tax asset		7		26		46
Net pension deficit		(16)		(62)		(107)

Reserves note	At year end 31 January 2005 £000	At year end 31 January 2004 £000
Profit and loss reserve excluding pension asset and liability	36,512	33,477
Pension reserve	(16)	(62)
Profit and loss reserve	36,496	33,415

Amounts Included within Operating Profit	At year end 31 January 2005 £000	At year end 31 January 2004 £000
Current Service Cost	5	10
Past Service Cost	-	37
	5	47

Analysis of amount credited to other finance income	At year end 31 January 2005 £000	At year end 31 January 2004 £000
Expected return on pension scheme	73	63
Interest on pension scheme liabilities	(61)	(57)
	12	6

23. Pension schemes (continued)

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

	At year end 31 January 2005 £000	At year end 31 January 2004 £000
Actual returns less expected return	8	169
Experience gains and losses on liabilities	83	(43)
Changes in assumptions	(33)	(20)
Actuarial gain recognised in STRGL	58	106

Movement in deficit during the year

	Year to 31 January 2005 £000	Year to 31 January 2004 £000
Deficit in scheme at beginning of year	(88)	(153)
Movements in year		
Current Service cost	(5)	(10)
Past service cost	–	(37)
Other finance income	12	6
Actuarial gain	58	106
Deficit in scheme at end of year	(23)	(88)

History of experience of gains and losses

	At year end 31 January 2005 £000	At year end 31 January 2004 £000	At year end 31 January 2003 £000
Difference between expected and actual return on scheme assets:			
Amount (£'000)	8	169	(427)
Percentage of scheme assets	1%	16%	(49%)
Experience gains or losses on scheme liabilities:			
Amount (£'000)	83	(43)	(63)
Percentage of scheme assets	7%	(4%)	(6%)
Changes in assumptions:			
Amount (£'000)	(33)	(20)	25
Percentage of scheme assets	(3%)	2%	2%
Total actuarial gain in the statement of total gains and losses:			
Amount (£'000)	58	106	(465)
Percentage of scheme assets	5%	10%	(45%)

Five Year Financial Record

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Business Transacted	86,482	89,929	88,828	89,260	95,089
Turnover	31,892	34,430	34,996	33,929	36,363
Operating profit	8,449	10,397	8,793	9,693	11,122
Profit on ordinary activities before taxation	7,620	9,206	7,846	9,037	9,758
Corporation tax	(2,319)	(2,775)	(2,293)	(2,711)	(2,936)
Profit after taxation	5,301	6,431	5,553	6,326	6,822
Assets employed					
Fixed assets	2,873	2,768	2,646	2,474	2,357
Current assets	51,166	60,524	62,215	65,589	71,502
	54,039	63,292	64,861	68,063	73,801
Creditors	(23,797)	(29,942)	(29,398)	(29,832)	(32,598)
Shareholders' funds	30,242	33,350	35,463	38,231	41,261
Earnings per Ordinary share	43.9p	53.5p	46.0p	52.6p	56.8p
Dividends per Ordinary share	23.5p	27.0p	28.0p	29.0p	31.0p
Statistics					
Operating profit as a percentage of business transacted	9.8%	11.6%	9.9%	10.9%	11.7%
Profit on ordinary activities before taxation as a percentage of shareholders funds	25.2%	27.6%	22.1%	23.6%	23.6%
Net borrowings as a percentage of equity shareholders' funds	58.9%	69.5%	68.3%	62.8%	63.5%

The result for the year ended 31 January 2001 has not been restated for the adoption of FRS 19. Hence, that result is not directly comparable to 2002, 2003, 2004 and 2005.

Notice of Meeting

Notice is hereby given that the sixty-seventh Annual General Meeting of S & U Plc will be held at Nuthurst Grange Hotel, Hockley Heath, Warwickshire B94 5NL on Friday 20 May 2005 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.

Ordinary Resolutions

1. To receive the directors' report and the company's annual accounts for the year ended 31 January 2005, 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 2005.

3. To declare a final ordinary dividend for the year ended 31 January 2005 of 22.0 pence per ordinary share in the capital of the company, to be paid on 3 June 2005 to shareholders whose names appear on the register at close of business on 6 May 2005.

4. To elect as a director Mr J G Thompson.

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

6. To re-elect as a director Mr F Coombs 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.

By Order of the Board

C H Redford
Secretary
18 April 2005
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.

Form of Proxy

S&U PLC

Proxy for use at the annual general meeting of the company to be held on 20th May 2005 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 20th May 2005 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 31st January 2005 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 elect Mr. J. G. Thompson as a director.		
Resolution No. 5 –	To re-elect Mr. G. D. C. Coombs as a director.		
Resolution No. 6 –	To re-elect Mr. F. Coombs as a director.		
Resolution No. 7 –	To re-appoint Deloitte & Touche LLP as auditors.		
Resolution No. 8 –	To authorise the directors to agree the remuneration of the auditors.		

Signed this .... day of .... 2005 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 6.0% and 31.5% cumulative preference shares are not entitled to attend or vote in respect of these shares at this annual general meeting.

Locations

ALDERSHOT

BACUP

BARNSTAPLE

BIRMINGHAM

BRISTOL

DUNSTABLE

EDINBURGH

FALMOUTH

GRIMSBY

HEREFORD

IPSWICH

LEICESTER

LOCKERBIE

LONDON

NEATH

NEWCASTLE-ON-TYNE

NEWTON ABBOT

NOTTINGHAM

PENMAENMAWR

PENRITH

PETERBOROUGH

SHEFFIELD

SOUTHAMPTON

STOKE-ON-TRENT

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S&U PLC

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

www.suplc.co.uk

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