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CONTENTS

S & U PLC

The group provides consumer credit, primarily financial services, as well as hire purchase, sales of electrical merchandise and television rentals throughout England, Wales and Southern Scotland. The group also manufactures hosiery principally for export.

Financial Highlights

	1999 £000	1998 (restated) £000
TURNOVER	**64,833**	62,301
OPERATING PROFIT	**6,066**	5,953
PROFIT BEFORE TAXATION (1998 includes exceptional profit on sale of property of £1,009,000)	**5,852**	6,821
EARNINGS PER ORDINARY SHARE	**33.3p**	40.6p
EARNINGS PER ORDINARY SHARE ADJUSTED FOR EXCEPTIONAL PROFIT ON SALE OF PROPERTY	**33.3p**	32.0p
DIVIDEND PER ORDINARY SHARE	**20.0p**	19.0p

Financial Calendar

Annual General Meeting		**17 June 1999**
Announcement of results	Half year ending 31 July 1999	**October 1999**
	Year ending 31 January 2000	**April 2000**
Payment of dividends	6% (formerly 4.2%) Cumulative Preference shares	**30 September 1999 & 31 March 2000**
	31.5% Cumulative Preference shares	**31 July 1999 & 31 January 2000**
	Ordinary shares – 1999 Final	**1 July 1999**
	– 2000 Interim	**November 1999**

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) R. E. J. Fisher, FCA M. F. Hepplewhite FCA *(Non-Executive)* D. Markou MBE, FCA *(Non-Executive)* K. R. Smith *(Non-Executive)*
Secretary	E. D. Maiden
Auditors	Deloitte & Touche Chartered Accountants Colmore Gate 2 Colmore Row Birmingham B3 2BN
Registrars	IRG plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ Tel: 0181 639 2006
Stockbrokers	Granville Markets Limited Mint House 77 Mansell Street London E1 8AF
Solicitors	Edge Ellison Rutland House 148 Edmund Street Birmingham B3 2JR
Bankers	Midland Bank PLC 130 New Street Birmingham B2 4JU National Westminster Bank PLC 1 Upper Market Square Stoke-on-Trent ST1 1QA
Registered Office	Royal House Prince's Gate Homer Road Solihull West Midlands B91 3QQ Tel: 0121 705 7777 Registered in England 342025

Results

The operating profit for the year has increased from £6.0m in 1998 to £6.1m. Pre-tax trading profits for the year are £5.9m as against £6.8m for the previous year.

Turnover is £64.8m as compared to £62.3m for the comparable period. The Board is recommending a final dividend of 15p per share, making 20p per share for the year, compared to 19p in 1998, an increase for the year as a whole of 5.26%. This means that shareholders have enjoyed compound growth in dividend income of 16.7% per annum over the last 10 years.

Home Collected Credit

Whilst the results for the half year ending July were poor, the major recovery which I anticipated has been achieved in the second half. The full year's figures would have shown a real advance for the year but for the additional doubtful debt provision of £0.8m, which we decided to make in one of our subsidiary companies. This will not be allowed to happen again.

Following a review of our accounting policies, the Board decided to change the basis on which profit is taken under our credit agreements. This change provides a clearer picture of our results and brings us in to line with our major competitors. The impact of this change is fully set out in note 2 to the accounts. Shareholders should note that while this change reduces the amount reported as 'amounts receivable from customers' at 31 January 1998 by £2.4m, it does not reduce the contracted amount due from customers at that time and, subject to negotiation with the Inland Revenue, will produce a tax refund of around £0.8m.

Review

The Group remains in a strong financial position. Our Home Credit business is expanding whilst maintaining quality generally and improving efficiency.

Changes in response to our customers' demands and improvement in information technology will continue unabated, but the real success of our group is dependant on service which is only possible with committed and experienced staff. We intend to continue with our well-established practice of providing a personal service through our local agents. Overheads were well contained, despite the growth in volumes.

Board changes

Anthony Coombs, age 46, has been appointed Managing Director as of April 21 1999. It is now generally expected under corporate governance for one person not to continue both as Chairman and Managing Director. I am fortunate in having an able partner in Anthony and he is taking over operational responsibility for the group as Managing Director with myself as Executive Chairman.

I am also pleased to announce the appointment of three non-executive Directors to the Board, Keith Smith, Mark Hepplewhite and Demetrios Markou.

Keith Smith was a member of The Stock Exchange and a principal in stockbroking firms for more than 30 years. He has also been a director of a number of public and private companies and is currently a director of Nabarro Wells, corporate financiers.

Chairman's Statement

Mark Hepplewhite, a law graduate, is 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 is a Chartered accountant with over 30 years experience in public practice in Birmingham. He has extensive commercial and political experience.

I am sure their experience will give a depth and breadth to our business, which will be invaluable.

Staff

Every company is only as good as the quality and dedication of its staff. S & U is a very labour intensive operation and therefore even more so depends on its staff. We have a superb team and I must take this opportunity to thank them on your behalf for their contributions during the year.

Corporate Governance

We have made significant progress towards implementing the recommendations of the Combined Code on Corporate Governance, with the division of responsibilities at the head of the company and the appointment of non-executive directors.

Prospects

The increase in our provision for doubtful debt at one of our subsidiaries has increased the overall debtor reserve from its normal range of between 3 and 3.5% to 4.3% of turnover and we anticipate that the coming year will see a return to previous levels.

The company has many strengths; sound finances, clear and proven strategy and good management. It plans to continue the successful expansion in the growing market for Home Collected Credit. Demand for credit from both existing and new customers remains strong as they continue to value the convenient, quick and straightforward service in their homes. The Board is confident that the company can meet all the challenges of the new financial year and continue to improve its performance.

Derek M. Coombs
Chairman

29 April 1999

I am very pleased to have been appointed as Managing Director of S & U plc to lead its expansion and development into the new millennium. Your company has a great deal of which it can be proud: 60 years of excellent customer service, a consistent profit record, a loyal customer base, a strong financial position and committed and motivated staff. Our task is now to accelerate the company's growth and hence increase its value.

Operating results

	Year ended		6 months ended		6 months ended	
	31 January 1999	31 January 1998 (restated)	**31 January 1999**	31 January 1998 (restated)	**31 July 1998 (restated)**	31 July 1997 (restated)
	£m	£m	**£m**	£m	**£m**	£m
Turnover	**64.8**	62.3	**34.4**	33.0	**30.4**	29.3
Gross profit	**21.7**	20.4	**11.1**	10.5	**10.6**	9.9
Operating expenses	**(12.8)**	(12.4)	**(6.5)**	(6.3)	**(6.3)**	(6.1)
Doubtful debt	**(2.8)**	(2.0)	**(1.3)**	(1.3)	**(1.5)**	(0.7)
Operating profit	**6.1**	6.0	**3.3**	2.9	**2.8**	3.1
Profit on sale of property	–	1.0	–	–	–	1.0
Interest	**(0.2)**	(0.2)	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Profit before taxation	**5.9**	6.8	**3.2**	2.8	**2.7**	4.0

Home collected credit

Whilst operating profits have improved only marginally over the year as a whole, the division's performance over the past six months, and indeed currently, is much more progressive, with profits up £0.4m or nearly 14%. This has mainly resulted from a sharp improvement in sales in two of our three home collected credit companies. The underlying improvement in representative's productivity is fully in line with the group's targets. The number of representative 'Journeys' is also planned to rise, particularly in the South East of England, where the group is under-represented. The recent branch opening in Ipswich is evidence of this.

The quality of current book debt continues to be good, and in my view, compares favourably with our national competitors. We continue to focus our new consumer activities upon the more affluent part of the C2/D/E market and the higher value, better margin loans associated with it. As a result our greater investment in book debt, of around £3m in the current year, continues to be justified by high quality collections and reliable repeat business.

The current year necessitated an increase in bad and doubtful debt provision as a result of a one-off recognition of doubtful debts in our North-Eastern subsidiary. The circumstances leading to this provision have now been addressed and will not recur.

	31 January 1999	31 January 1998 (restated)	**31 July 1998 (restated)**	31 July 1997 (restated)
Amounts receivable from customers	**£30.6m**	£27.9m	**£27.6m**	£25.4m
Number of accounts	**166,500**	164,500	**156,500**	157,500
Average balance	**£184**	£170	**£177**	£161

The restatement of the previous years comparative figures

Shareholders will note changes made in the previous year's comparative figures in order to account more accurately for deferred revenue, as well as other presentational changes designed to increase the clarity of the group's financial reporting. These changes have also been applied to the half year figures shown above, which therefore differ from those already reported.

Developments in computer processing have enabled us to refine our method of calculating the amount to carry forward as deferred revenue. The effect of this adjustment on the profit for this year is to increase it by 0.35% of turnover and reduce the comparative figure for last year by 0.32% of turnover. The full details of these changes are set out in note 2 to the accounts on page 28.

The deferred revenue provision in these accounts has been increased by 7% of the amounts receivable from customers compared with the previous basis. Because the reported figure for amounts receivable from customers is after deducting the deferred revenue provision, this has the effect of reducing the figure shown in the accounts. It is important to remember that the amounts that customers owe us, and our anticipated collections from them, are not affected by these adjustments. However as a result of these changes we expect to recover the sum of around £0.8m from the Inland Revenue, subject to the successful completion of negotiations.

Direct debit

Greenbank, our new direct debit business is currently being piloted in the West Midlands, prior to its expansion nationwide, through our existing branch offices. Results have so far been encouraging.

We regard this area of consumer finance as a major opportunity, which will be complementary to our existing home collected credit business, and anticipate a national roll-out during 1999.

A E Holt (Leicester) Limited

The poor performance of our hosiery manufacturing subsidiary in the past year has been disappointing; its European export sales, which comprise the vast majority of the total, have been affected by a slowdown in economic growth in Northern Europe and its margins by the relative strength of sterling. Measures have been taken to reduce costs and current trading has improved.

Profit, dividend and earnings per share

	Year ended		6 months ended		6 months ended	
	31 January 1999	31 January 1998 (restated)	**31 January 1999**	31 January 1998 (restated)	**31 July 1998 (restated)**	31 July 1997 (restated)
	£m	£m	**£m**	£m	**£m**	£m
Profit before tax	**5.9**	6.8	**3.2**	2.8	**2.7**	4.0
Profit after tax	**4.1**	4.9	**2.2**	2.0	**1.9**	2.9
Earnings per share	**33.3p**	40.6p	**18.0p**	16.7p	**15.3p**	23.9p
Earnings per share (excluding exceptional items)	**33.3p**	32.0p	**18.0p**	16.7p	**15.3p**	15.3p
Dividends per share	**20.0p**	19.0p	**15.0p**	14.5p	**5.0p**	4.5p

Excluding exceptional items, earnings per share have risen by 1.3p for the full year all of which was achieved in the second half. This improving trend, and the confidence which your Board has in the current and future trading prospects, lead us to recommend an improved final dividend of 15p per ordinary share.

Capital structure, liquidity and treasury

The financial position of the company remains very strong. Total net assets have risen by £1.56m (6.3%) in the past year and our current ratio continues to improve. Company gearing, at 18% of shareholders funds, is both low historically, and in comparison with our competitors. The additional investment required to grow both our home collected and direct debit businesses can be accommodated comfortably.

Looking forward

The past year has been a very significant one for your company. The resulting changes in corporate governance, senior management and operational control now provide a structure for accelerated growth and profitability in your company over the next decade. The past six months have already produced significant elements of the company's revitalisation. The operating profit shortfall at half year has been fully recovered over the past six months. Improved sales growth and bad debt recognition upon which this improvement has been built will continue to boost results in the coming year.

1999/2000 will see the continued implementation of a number of initiatives introduced over the past year.

- *The core home collection credit business will continue to expand with the opening of new offices and new* products thus enabling us to service the new customer calls which are essential for sustained expansion.
- Current training initiatives will be developed with the objective that S & U becomes the first major company in the home collected credit industry to qualify for "Investors In People".
- Customer servicing will be improved through streamlined paperwork and more sophisticated information technology.
- Our financial and other products will continue to be developed so as to improve margins whilst making them more attractive to better quality customers.
- Our new Greenbank Direct Debit finance business will continue to expand both organically and through joint ventures with outside brokers.
- We will continue to acquire business in the home collected and related financial fields. However, we will maintain the strong financial gearing position of the Group and make acquisitions only in those areas which are consistent with the core lending business of the Group and which build upon existing management strengths and expertise.
- Communications with the City and with both actual and potential investors will be extended significantly.
- The company is aware of the recent DTI report "Creating Quality Dialogue" and intends to produce an Investor Communications Statement in the future in line with its recommendations.

Conclusion

The next few years will be both an exciting and demanding time for our company. I expect to see its increased rate of growth and profitability more adequately reflected in your company's stock market value than is presently the case. Your company's present market capitalisation in my view significantly undervalues both the quality of earnings and growth prospects of the business. With the continued support of our excellent staff, our management team, *our shareholders and, of course, most important our customers we expect to see significant improvements in* company profitability and market value in the future.

Anthony M. V. Coombs
Managing Director

Directors

Derek M. Coombs *(Chairman)*	Chairman since 1975. Managing Director 1975 to April 1999. Former Member of Parliament. Chairman, Prospect Publishing Limited. Political journalist. Non-executive director, Metalrax Group Plc
Anthony M. V. Coombs MA (Oxon) *(Managing Director)*	Joined S & U in 1975. Between 1987 and 1997 served as a Member of Parliament and was a member of the Government. For the past year has been responsible for a significant improvement in turnover and profitability of S & U's principal subsidiary and for the group marketing and training initiatives. Serves on the Operations Committee of the Consumer Credit Association and is 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.
Robert E. J. Fisher FCA *(Finance Director)*	A Chartered Accountant, who spent seven years with KPMG in London, seven years in industry and commerce, five years in merchant banking, and since 1974 has been a director with S & U. Key responsibilities include finance, administration and compliance.
Mark F. Hepplewhite FCA *(Non-executive)* Born 13.3.61	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)* Born 7.2.44	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)* Born 12.5.38	A member of The Stock Exchange and a principal in stockbroking firms for more than 30 years. He has also been a director of a number of public and private companies and is currently a director of Nabarro Wells, corporate financiers.

The directors present their annual report and the audited financial statements for the year ended 31 January 1999.

Activities

The principal activity of the group continues to be that of consumer credit, which includes financial services, hire purchase and sales of electrical and household merchandise and television rental throughout England, Wales and Southern Scotland. The group also manufactures hosiery, primarily for export.

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 4 and 5 and the managing director's report on pages 6 to 8.

Results and dividends

The group's profit on ordinary activities after taxation was £4,056,000 (1998 - £4,914,000 (restated)). Dividends of £2,498,000 (1998 - £2,380,000) were paid and proposed during the year, leaving retained profits of £1,558,000 (1998 - £2,534,000 (restated)) to be transferred to reserves.

The directors recommend a final dividend, subject to shareholders approval of 15.0p per share (1998 - 14.5p). This, together with the interim dividend of 5.0p per share (1998 - 4.5p) paid during the year, makes a total dividend for the year of 20.0p per share (1998 - 19.0p).

Year 2000

The "Year 2000" problem or "millennium bug" refers to the risk of business being affected by the failure of computer controlled systems to cope with the change of date from 1999 to 2000.

The computer hardware in use in the business has been kept up to date and all renewed over the past few years. The supplier has assured us that the major business control software suite which we have been using has no millennium problems. However, as part of our development programme, during the year this system has been fully re-written by the same software house which has worked with us for the past eighteen years. Parallel runs are due to commence imminently and we will be using the new system well before the end of the calendar year.

A careful investigation of other systems has been carried out and no millennium bug problems are expected.

The directors do not regard the costs of this exercise as exceptional as it forms part of the normal process of updating the groups equipment and software, and the level of expenditure on the year 2000 issue over and above this normal expenditure is not considered material.

Directors and their interests

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

		At 31 January 1999		At 31 January 1998	
		31.5% Preference shares	**Ordinary shares**	31.5% Preference shares	Ordinary shares
D. M. Coombs		**70,000**	**2,024,741**	70,000	2,024,741
A. M. V. Coombs		**–**	**538,110**	–	338,110
G. D. C. Coombs		**–**	**565,310**	–	365,310
R. E. J. Fisher		**2,000**	**16,940**	2,000	16,940
C. K. Coombs	(not re-elected 16 June 1998)			14,225	2,146,129
K. J. Baddeley	(resigned 16 June 1998)			–	–
Miss T. J. Ambler	(resigned 28 February 1998)			–	3,920

In addition, Mr D. M. Coombs has a non-beneficial interest in 400,000 (1998 – 400,000) Ordinary shares.

There were no changes to the directors' interests shown above between 31 January 1999 and 23 April 1999.

Grevayne Properties Limited, a company of which Messrs G. D. C. and A. M. V. Coombs are directors and shareholders owned 248,048 Ordinary shares in the company at 31 January 1999 (1998 – 248,048). After the year end Grevayne Properties Limited acquired a further 50,000 shares.

The directors had no interests in the company's 6% (formerly 4.2%) Cumulative Preference shares or in the shares of its subsidiaries.

On 21 April 1999, Messrs M. F. Hepplewhite, D. Markou and K. R. Smith were appointed as directors of the company and, having been appointed since the date of the last Annual General Meeting offer themselves for re-election.

In accordance with the Companies Articles of Association Messrs D. M. Coombs and R. E. J. Fisher retire by rotation and, being eligible, offer themselves for re-election.

Except as stated in note 25, no director had any interest in any material contract during the year relating to the business of the group.

Substantial shareholdings

At 23 April 1999, 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	20.62
C. K. Coombs	1,621,501	13.82
Pierrette Limited	385,687	3.29

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 and procedures have been developed to keep employees informed of the progress of the business.

Political and charitable contributions

During the year the company and the group made charitable contributions of £1,395 (1998 - £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 1999 were 48 days (1998 – 61 days), and trade creditor days for the company were 50 days (1998 – 59 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 were appointed the company's auditors at the last Annual General Meeting. Deloitte & Touche 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

E. D. Maiden
Secretary

10 May 1999

Report of the Board to the Shareholders on Remuneration Policy

Remuneration policy

During the year the Board itself determined the company policy on executive directors' remuneration. No remuneration committee was in place during the year as the company had no non-executive directors between June 1998 and the year end. Three non-executive directors were appointed to the board on 21 April 1999, and they now form the remuneration committee, which will have the responsibility for recommending company policy on executive directors' remuneration to the Board from now on.

The company's policy on remuneration structure is as follows:

(a) Basic salaries are considered in relation to comparable positions in the financial sector and are reviewed annually.

(b) Taxable benefits in kind in the main include a company car plus related expenses and medical insurance.

(c) The company does not operate share option or similar long-term incentive schemes.

Directors' pension arrangements

The company makes contributions to a defined contribution pension scheme in respect of Mr R. E. J. Fisher, but makes no contributions in respect of any other director. None of the directors has any accrued benefit under the defined benefit scheme described in note 24.

Directors' contracts

Mr A. M. V. Coombs and Mr G. D. C. Coombs have been granted service contracts with an initial fixed term of two and a half years, terminable with twelve months notice after the first eighteen months.

Mr R. E. J. Fisher has a service contract which is terminable by him on six months notice, or by the company giving three years notice. The directors believe this arrangement to be appropriate because it was agreed several years ago and in competitive circumstances, it improves balance on the board, and there are no plans to alter the arrangement at this time. In the long term, the company intends that such contracts be phased out.

No other director has a service contract with a notice period of more than twelve months.

Executive directors' service contracts will be available for inspection at the Annual General Meeting.

Non-executive directors

Remuneration of non-executive directors is a matter for the Board to determine. It is company policy that non-executive directors are not granted service contracts.

Details of directors' remuneration

This report should be read in conjunction with note 4 to the accounts, which also constitutes part of this report, giving full details of the amounts in the remuneration package of each director.

By order of the Board of Directors

D. M. Coombs
Chairman

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 company has progressively moved towards the full appliance of these principles during the year and the current position, following the appointment of three non-executive directors on 21 April 1999, is described below.

Directors

The company is controlled through the Board of Directors which comprises four executive and three independent non-executive directors. As 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.

For part of the year the Board consisted of the executive directors only and combined the positions of Chairman and Managing Director, as described in the Compliance Statement below

The Board has a formal schedule of matters reserved to it and meets at least quarterly 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 is establishing a number of standing committees, these committees were not in place during the year as there were not sufficient non-executive directors in place to constitute them. Each committee will operate within defined terms of reference. The principal committees are the Audit Committee and the Remuneration Committee. 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 will each be composed of the three non-executive directors, Chairmen of these committees will be appointed from among the members.

All three non-executive directors are considered to be independent of the management of the company. The Board intends to designate a senior independent director.

Directors' remuneration

The Remuneration Committee will measure the performance of the executive directors and key members of senior management as a prelude to recommending their remuneration to the Board for final determination. During the year this role was played by the Board itself, as there was no remuneration committee. The remuneration of the non-executive directors is recommended by the executive directors and takes account of the time spent on Committee matters. The final determinations will be made by the Board as a whole but no director plays a part in any discussion about his own remuneration. The Committee consults the Chairman and the Managing Director about its proposals and has access to professional advice from inside and outside the company.The Report of the Board to the Shareholders on Directors' Remuneration is set out on page 13.

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.

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 4 to 12 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.

Internal Financial Control

The directors are responsible for the group's system of internal financial control. Such a system can provide only reasonable, but not absolute assurance against material misstatement or loss. The key control procedures are described under the following headings.

- Financial reporting

  The group has a comprehensive system for reporting financial results to the Board; each operating unit prepares monthly results with comparisons. The Board reviews these for the group as a whole and determines appropriate action. Towards the end of each financial year the operating units prepare budgets for the following year. Budgets are reviewed by the Board before being adopted formally.

- Operating unit financial controls

  The executive management has defined the financial controls and procedures with which each operating unit is required to comply. Key controls over major business risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major business risks and the extent to which these risks are controlled. These management assessments are checked by our internal audit procedures. The reports arising from such visits are given to both the executive and unit management and the Audit Committee.

- Computer systems

  Much of the group's financial and management information is processed by and stored on computer systems. Accordingly, the group has established controls and procedures over the security of data held on computer systems. Also, the group has put in place arrangements for computer processing to continue and data to be retained in the event of the complete failure of any part of the group's own data processing facility.

The Board has concluded for the year ended 31 January 1999 an annual review of the effectiveness of the system of internal financial control and has taken account of material developments that have taken place since the end of that year. This review was performed on the basis of the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting" issued in December 1994. It has considered the major business and financial risks, the control environment and information on, and arising from control procedures.

Relationship with Auditors

Although no audit committee has been in place during the year, the directors have met with the auditors as a Board and separately to discuss improvements which might be made to the group's accounting policies and financial reporting. These changes are reflected in these financial statements.

The Audit Committee, comprising the non-executive directors will have specific terms of reference, which deal with its authority and duties. It will meet 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 and internal audit function 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. This statement also forms part of the Directors Report.

COMPLIANCE STATEMENT

The Listing Rules require the Board to report on compliance with the forty-five Code provisions throughout the accounting period. Except for the exceptions detailed below, the company has complied throughout the accounting period ended 31 January 1999 with the provisions set out in Section 1 of the Code.

Non-executive directors

During the period from 1 February 1998 to 16 June 1998 the company had only one non-executive director, and from 16 June 1998 to 31 January 1999 it had none. This breaches provisions A3.1 and A3.2 of the Code, and this lack of non-executive directors also means that the following provisions could not be complied with:

- Establishment of a nomination committee (A5.1)
- Establishment of a remuneration committee (B2.1, B2.2)
- Establishment of an audit committee (D3.1, D3.2)

On 21 April 1999, three non-executive directors, Messrs Hepplewhite, Markou and Smith were appointed. Prior to that the company was searching for suitable candidates. Following their appointment audit and remuneration committees will be set up. It is not the company's intention to set up a nomination committee, but the relevant provision of the Combined Code (A 5.1) does not apply where the board is small.

Division of responsibilities

During the period from 1 February 1998 to 16 June 1998 a division of responsibility at the head of the company was achieved through the appointment of one director as Managing Director and Joint Chairman, with another director as a second Joint Chairman. This arrangement lapsed from 16 June 1998, and from that date to 31 January 1999, one director held the roles of Managing Director and (sole) Chairman, breaching provision A2.1 of the Combined Code, as there were at the time no independent directors on the board.

This arrangement ceased with effect from 21 April 1999, when the two roles were split, and it is intended that this division should be permanent.

Performance related remuneration

The remuneration arrangements of the directors do not include a performance related element, which breaches provision B1.4 of the Combined Code. However the company feels that given the substantial shareholdings of the majority of the executive directors, their interests are already sufficiently aligned with those of the shareholders without the need for performance related incentive schemes.

Notice of 1998 Annual General Meeting

The 1998 annual general meeting was held on 16 June, and the notice of twenty working days required by Combined Code provision C2.4 was not given. At the time of the meeting the Combined Code had not been published and the company had, therefore, no knowledge of this requirement. The required notice has been given for the 1999 Annual General Meeting.

As permitted by the London Stock Exchange, the company has complied with Code Provision D2.1 on Internal Control by reporting on internal financial control in accordance with the guidance on internal control and financial reporting that was issued in December 1994.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

E. D. Maiden
Secretary

REPORT OF THE AUDITORS

To the members of S & U PLC

We have audited the financial statements on pages 20 to 37 which have been prepared under the accounting policies set out on pages 27 and 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 18 the financial statements. Our responsibilities, as independent auditors are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the statement on page 17 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the group's internal controls.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with 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. 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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

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 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

13 May 1999

Consolidated Profit and Loss Account

for the year ended 31 January 1999

	Note	1999 £'000	1998 (restated) £'000
Turnover	3	**64,833**	62,301
Cost of sales		**(43,096)**	(41,874)
Gross profit		**21,737**	20,427
Administrative expenses		**(12,865)**	(12,435)
Provision for doubtful debt		**(2,806)**	(2,039)
Operating profit	6	**6,066**	5,953
Profit on sale of fixed assets	7	**–**	1,009
Profit on ordinary activities before interest		**6,066**	6,962
Net interest payable	8	**(214)**	(141)
Profit on ordinary activities before taxation		**5,852**	6,821
Tax on profit on ordinary activities	9	**(1,796)**	(1,907)
Profit on ordinary activities after taxation being profit for the financial year		**4,056**	4,914
Dividends paid and proposed – including amounts in respect of non equity shares	11	**(2,498)**	(2,380)
Retained profit for the financial year		**1,558**	2,534
Earnings per ordinary share	12	**33.3p**	40.6p
Adjusted earnings per ordinary share	12	**33.3p**	32.0p
Dividends per ordinary share	11	**20.0p**	19.0p

All activities derive from continuing operations.

Statement of Movement on Reserves
for the year ended 31 January 1999

	Share premium account £'000	Revaluation reserve £'000	Other reserves – goodwill written off (restated) £'000	Profit and loss account (restated) £'000	Total (restated) £'000
The Group					
Balance at 1 February 1998					
As previously reported	2,136	575	(1,125)	22,504	24,090
Prior period adjustments (Note 2)	–	–	1,125	(2,717)	(1,592)
As restated	2,136	575	–	19,787	22,498
Transfer of depreciation on freehold properties	–	56		(56)	–
Retained profit for the financial year	–	–		1,558	1,558
Balance at 31 January 1999	**2,136**	**631**		**21,289**	**24,056**
The Company					
Balance at 1 February 1998					
As previously reported	2,136	120		9,379	11,635
Prior period adjustments (Note 2)	–	–		(547)	(547)
As restated	2,136	120		8,832	11,088
Transfer of depreciation on freehold properties	–	(76)		76	–
Retained profit for the financial year	–	–		532	532
Balance at 31 January 1999	**2,136**	**44**		**9,440**	**11,620**

Consolidated Balance Sheet
31 January 1999

	Note	1999 £'000	1998 (restated) £'000
Fixed assets			
Tangible assets	13	**2,891**	2,882
Current assets			
Amounts receivable from customers	15	**30,629**	27,888
Stocks	16	**422**	452
Debtors	17	**671**	1,181
Cash at bank and in hand		**1**	163
		31,723	29,684
Creditors: amounts falling due within one year	18	**(8,441)**	(7,951)
Net current assets		**23,282**	21,733
Total net assets		**26,173**	24,615
Capital and reserves			
Called up share capital	19	**2,117**	2,117
Share premium account		**2,136**	2,136
Revaluation reserve		**631**	575
Profit and loss account		**21,289**	19,787
Total shareholders' funds		**26,173**	24,615
Attributable to equity shareholders		**25,523**	23,965
Attributable to non-equity shareholders		**650**	650
		26,173	24,615

These financial statements were approved by the Board of Directors on 10 May 1999

Signed on behalf of the Board of Directors

D. M. Coombs } *Directors*

A. M. V. Coombs

Company Balance Sheet
31 January 1999

	Note	1999 £'000	1998 (restated) £'000
Fixed assets			
Tangible assets	13	**1,114**	864
Investments	14	**2,892**	2,892
		4,006	3,756
Current assets			
Amounts receivable from customers	15	**11,517**	9,795
Stocks	16	**77**	48
Debtors	17	**3,140**	3,550
Cash at bank and in hand		–	143
		14,734	13,536
Creditors: amounts falling due within one year	18	**(5,003)**	(4,087)
Net current assets		**9,731**	9,449
Total net assets		**13,737**	13,205
Capital and reserves			
Called up share capital	19	**2,117**	2,117
Share premium account		**2,136**	2,136
Revaluation reserve		**44**	120
Profit and loss account		**9,440**	8,832
Total shareholders' funds		**13,737**	13,205
Attributable to equity shareholders		**13,087**	12,555
Attributable to non-equity shareholders		**650**	650
		13,737	13,205

These financial statements were approved by the Board of Directors on 10 May 1999

Signed on behalf of the Board of Directors

D. M. Coombs } *Directors*
A. M. V. Coombs

Consolidated Cash Flow Statement
for the year ended 31 January 1999

		1999		1998 (restated)	
	Note	£'000	£'000	£'000	£'000
Cash flow from operating activities	20		**3,933**		4,491
Returns on investments and servicing of finance					
Interest received		**13**		3	
Interest paid		**(227)**		(144)	
Preference dividends paid		**(150)**		(79)	
Net cash outflow from returns on investments and servicing of finance			**(364)**		(220)
Taxation			**(1,920)**		(2,444)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(633)**		(785)	
Proceeds of sale of fixed assets		**66**		1,980	
Net cash (outflow)/inflow for capital expenditure and financial investment			**(567)**		1,195
Equity dividends paid			**(2,289)**		(2,171)
(Decrease)/increase in cash in the year			**(1,207)**		851

Reconciliation of net cash flow to movement in net debt

	1999 £000	1998 £000
(Decrease)/increase in cash in the year	**(1,207)**	851
Movement in net funds in the year	**(1,207)**	851
Net debt at 1 February 1998	**(3,514)**	(4,365)
Net debt at 31 January 1999	**(4,721)**	(3,514)

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 January 1999

	1999	1998 (restated)
	£'000	£'000
Profit for the financial year attributable to the shareholders	**4,056**	4,914
	4,056	4,914

Note of prior period adjustment	
Total recognised gains and losses relating to the year (as above)	**4,056**
Prior period adjustment (Note 2)	**(1,592)**
Total gains and losses recognised since the last annual report	**2,464**

Note of Historical Cost Profits and Losses
for the year ended 31 January 1999

	1999	1998 (restated)
	£'000	£'000
Profit on ordinary activities before taxation	**5,852**	6,821
Realisation of property revaluation gains of previous years	–	626
Difference between historical cost depreciation charge and actual depreciation charge on the revalued amount	**(56)**	147
Historical cost profit on ordinary activities before taxation	**5,796**	7,594
Historical cost profit for the year retained after taxation and dividends	**1,502**	3,307

Reconciliation of Movements in Consolidated Shareholders' Funds

for the year ended 31 January 1999

	1999		1998 (restated)	
	£'000	**£'000**	£'000	£'000
Profit for the financial year		**4,056**		4,914
Dividends		**(2,498)**		(2,380)
Net addition to shareholders' funds		**1,558**		2,534
Opening shareholders' funds:				
As previously stated	**26,207**		23,472	
Prior period adjustments (Note 2)	**(1,592)**		(1,391)	
As restated		**24,615**		22,081
Closing shareholders' funds		**26,173**		24,615
Attributable to 4.2% 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		**25,523**		23,965
		26,173		24,615

Notes to the Accounts
for the year ended 31 January 1999

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	Gross amount received or receivable, including the principal sum advanced less deferred revenue.
● Monthly instalment credit agreements	Gross amount received or receivable, including the principal sum advanced less deferred revenue.
● Hire purchase agreements	Gross amount received or receivable, less deferred revenue.
● Goods and services	Gross amounts of goods and services supplied.
● Insurance	Premiums paid by customers.

On instalment credit agreements cost of sales represents the principal sums advanced.

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	1% per annum straight line
Computers	20% per annum straight line
Fixtures, fittings and plant	10% to 20% per annum on reducing balance
Television sets	20% per annum straight line
Motor vehicles	25% per annum on reducing balance

No depreciation is provided on freehold land.

Investments
Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

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. The cost of manufactured goods includes materials, direct labour, and a proportion of production overheads appropriate to the relevant stage of production.

Deferred taxation
Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

Goodwill
All goodwill has been written off to reserves in the year in which it arose as a matter of accounting policy. If any of the businesses on which goodwill arose on acquisition was to be sold, then the goodwill attributable to that business would have to be taken in to consideration in calculating the profit or loss on disposal.

Any goodwill which arises on future acquisitions will be capitalised and amortised over its useful life.

1. Accounting policies *(continued)*

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 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. Prior year adjustments

The directors have reviewed the accounting policies used in the preparation of the financial statements and the presentation of information and have identified several adjustments which should be made to provide greater transparency or to ensure compliance with accounting standards.

Deferred revenue

The calculation of deferred revenue has been revised to spread the income from consumer credit agreements over the term of the agreement. Previously a proportion of profit on such agreements was taken on their inception.

The prior period adjustment gives rise to a net cumulative reduction in group reserves of £1,592,000 and in company reserves of £547,000. In the consolidated accounts, this represents a reduction in amounts receivable from customers at 31 January 1998 of £2,376,000 and a debtor in respect of tax recoverable of £784,000. In the company's own accounts this represents a reduction in amounts receivable from customers at 31 January 1998 of £817,000 and a debtor in respect of tax recoverable of £270,000. The comparative figures for 1998 have been restated in accordance with the new method, resulting in a decrease in consolidated turnover and profit before tax of £201,000 and a decrease in group profit for the year of £201,000.

Had the new policy not been adopted the group turnover and profit before tax for the current year would be £225,000 less than that reported in the profit and loss account. The consolidated profit for the financial year would similarly have been lower by £225,000.

Goodwill

The company has previously written off goodwill to a separate reserve. This treatment is no longer permissible under Financial Reporting Standard 10 – "Goodwill and Intangible Assets". Accordingly, the reserves at 31 January 1998 have been restated to transfer all of the £1,125,000 of goodwill previously written off from the special reserve to the profit and loss account.

This adjustment has no effect on the profit for the current or previous year.

Disclosures

Amounts receivable from customers have been shown separately within current assets. These balances were included within trade debtors in the 1998 accounts. The 1998 balance sheet has been restated for this change which has no impact on results.

The amount provided for doubtful debt has also been shown separately on the profit and loss account. This amount was included in turnover in the 1998 accounts. The 1998 profit and loss account has been restated for this change which had no impact on profit before tax.

In the 1998 company accounts cash at bank and in hand was shown as a negative figure in creditors falling due within one year. The 1998 balance sheet has been restated to show this balance separately within current assets. This has no impact on results.

3. Analyses of turnover, operating profit / (loss) 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 / (loss)		Net assets	
	1999	1998 (restated)	**1999**	1998 (restated)	**1999**	1998 (restated)
Class of business	**£000**	£000	**£000**	£000	**£000**	£000
Consumer credit, rentals and other retail trading	**63,745**	61,117	**6,159**	5,991	**25,964**	24,296
Manufacturing	**1,088**	1,184	**(93)**	(38)	**209**	319
	64,833	62,301	**6,066**	5,953	**26,173**	24,615

	Turnover	
	1999	1998 (restated)
	£000	*£000*
Geographical analysis by location		
United Kingdom	**63,755**	61,181
Other European countries	**1,078**	1,120
	64,833	62,301

4. Directors' emoluments

	Salaries and fees	Annual bonuses	Benefits in kind	**Total 1999**	Total 1998
	£000	£000	£000	**£000**	£000
Executive directors					
D. M. Coombs	160	–	19	**179**	172
A. M. V. Coombs	110	–	2	**112**	58
G. D. C. Coombs	120	–	7	**127**	121
R. E. J. Fisher	92	–	9	**101**	92
C. K. Coombs	60	–	1	**61**	171
T. J. Ambler	2	–	–	**2**	30
Non-executive directors					
K. J. Baddeley	4	–	–	**4**	10
1999 Total	548	–	38	**586**	654
1998 Total	615	–	39	**654**	

The benefits in kind received by the directors comprise principally the provision of a company car and medical benefits.

During the year the company made pension contributions of £12,000 (1998 - £12,000) to a money purchase pension scheme for one director, Mr R. E. J. Fisher (1998 – one director).

5. Information regarding employees

	1999 No	1998 No
The average number of persons employed by the group in the year was:		
Consumer credit, rentals and other retail trading	**334**	345
Manufacturing	**24**	32
	358	377

	1999 £000	1998 £000
Staff costs incurred in respect of these employees were:		
Wages and salaries	**5,570**	5,335
Social security costs	**517**	493
Other pension costs	**19**	19
	6,106	5,847

6. Operating profit

	1999 £000	1998 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation:		
Owned assets	**548**	582
Rentals under operating leases:		
Hire of plant and machinery	**11**	7
Other operating leases	**178**	152
Auditors' remuneration:		
Group audit fees	**36**	63
Other services	**–**	27
Rentals received/receivable under operating leases	**(289)**	(334)

The audit fee for the company was £20,000 (1998 - £25,000).

7. Profit on sale of fixed assets

The exceptional profit of £1,009,000 in 1998 arose from the sale of the former head office property. No tax liability arose on this profit.

8. Net interest payable

	1999 £000	1998 £000
Bank overdraft	**227**	144
Interest payable and similar charges	**227**	144
Interest receivable	**(13)**	(3)
	214	141

9. Tax on profit on ordinary activities

	1999	1998 (restated)
	£000	£000
Corporation tax at 31% (1998 – 31.32%) based on the profit for the year	1,821	1,931
Adjustments to prior years' tax provisions		
Corporation tax	(25)	(24)
	1,796	1,907

The total amount of potential deferred tax unprovided at 31 January 1999 was £7,000 (1998 - £17,000).

10. 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 £3,030,000 (1998 - £3,792,000 (restated)).

11. Dividends

	1999	1998
	£000	£000
Interim paid – 5p per Ordinary share (1998 – 4.5p)	587	528
Final proposed - 15p per Ordinary share (1998 – 14.5p)	1,761	1,702
Ordinary dividends on equity shares	2,348	2,230
31.5% Cumulative Preference dividend	142	142
4.2% Cumulative Preference dividend	8	8
Preference dividends on non-equity shares	150	150
Total dividends paid and proposed	2,498	2,380

12. Earnings per ordinary share

The calculation of earnings per Ordinary share is based on profit after tax of £4,056,000 (1998 - £4,914,000 (restated)) from which is deducted Preference dividends of £150,000 (1998 - £150,000) giving earnings of £3,906,000 (1998 - £4,764,000 (restated)).

The number of shares used in the calculation is the average number of shares in issue during the year of 11,737,228 (1998 – 11,737,228).

An earnings per share figure on an adjusted basis is given for 1998, as the calculation on the normal basis is distorted by the effect of the one-off gain realised on the sale of the group's former head office building in Birmingham.

The earnings per Ordinary share before the exceptional items in 1998 is based on the above earnings less the exceptional gain of £1,009,000, giving earnings of £3,755,000 (restated), and on the same number of shares. This exceptional item contributed 8.6p to earnings per Ordinary share in 1998.

13. Tangible fixed assets

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Total £000
The Group				
Cost or valuation				
At 1 February 1998	1,279	4,654	910	6,843
Additions	–	560	73	633
Disposals	–	(524)	–	(524)
At 31 January 1999	**1,279**	**4,690**	**983**	**6,952**
Accumulated depreciation				
At 1 February 1998	204	3,134	623	3,961
Charge for the year	(34)	508	74	548
Disposals	–	(448)	–	(448)
At 31 January 1999	**170**	**3,194**	**697**	**4,061**
Net book value				
At 31 January 1999	**1,109**	**1,496**	**286**	**2,891**
At 31 January 1998	1,075	1,520	287	2,882

Comparable amounts determined according to the historical cost convention:

	Freehold land and buildings £000	Plant, machinery and motor vehicles £000	Fixtures and fittings £000	Total £000
Cost	559	4,690	983	6,232
Accumulated deprecation	81	3,194	697	3,972
Net book value				
At 31 January 1999	**478**	**1,496**	**286**	**2,260**
At 31 January 1998	474	1,520	287	2,281

Included in the above is land at a cost or valuation of £60,000 (1998 - £60,000) which is not depreciated.

13. Tangible fixed assets *(continued)*

	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
The Company				
Cost or valuation				
At 1 February 1998	127	1,590	535	2,252
Additions	230	236	66	532
Disposals	–	(253)	–	(253)
At 31 January 1999	**357**	**1,573**	**601**	**2,531**
Accumulated depreciation				
At 1 February 1998	18	1,035	335	1,388
Charge for the year	1	187	54	242
Disposals	–	(213)	–	(213)
At 31 January 1999	**19**	**1,009**	**389**	**1,417**
Net book value				
At 31 January 1999	**338**	**564**	**212**	**1,114**
At 31 January 1998	109	555	200	864

Comparable amounts determined according to the historical cost convention:

	Freehold land and buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£000	£000	£000	£000
Cost	306	1,573	601	2,480
Accumulated deprecation	12	1,009	389	1,410
Net book value				
At 31 January 1999	**294**	**564**	**212**	**1,070**
At 31 January 1998	65	555	200	820

Included in the above is land at a cost of £22,000 (1998 - £22,000) which is not depreciated.

Freehold land and buildings at cost or valuation are stated:

	The Group		The Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
At open market valuation for existing use in 1973	**971**	971	**60**	60
At cost	**308**	308	**297**	67
	1,279	1,279	**357**	127

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

The Group		The Company	
1999	1998	**1999**	1998
£000	£000	**£000**	£000
622	629	**290**	266

14. Investments

The Company	£000
Shares in subsidiary companies	
At 1 February 1998 and 31 January 1999	**2,892**

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
A E Holt (Leicester) Limited	Manufacture of hosiery

15. Amounts receivable from customers

	The Group		The Company	
	1999	1998 (restated)	**1999**	1998 (restated)
	£000	£000	**£000**	£000
Gross instalment credit receivables	**39,380**	35,448	**15,107**	13,082
Less: Provision for doubtful debt	**(5,270)**	(4,091)	**(2,264)**	(2,087)
Instalment credit receivables after provision	**34,110**	31,357	**12,843**	10,995
Less: Deferred revenue	**(3,481)**	(3,469)	**(1,326)**	(1,200)
	30,629	27,888	**11,517**	9,795
Amounts receivable under finance leases and hire purchase agreements included above	**941**	910	**438**	394
Value of assets acquired during the year to be leased under finance leases or hire purchase agreements	**674**	696	**319**	310
Rentals received during the year in respect of finance leases and hire purchase agreements	**1,175**	1,278	**523**	578

16. Stocks

	The Group		The Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Raw materials	**34**	42	–	–
Work in progress	**145**	149	–	–
Finished goods and goods for resale	**243**	261	**77**	48
	422	452	**77**	48

17. Debtors

	The Group		The Company	
	1999	1998 (restated)	**1999**	1998 (restated)
	£000	£000	**£000**	£000
Trade debtors	**155**	111	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**2,813**	2,607
Corporation tax recoverable	**–**	–	**92**	130
Other debtors	**290**	903	**161**	746
Prepayments and accrued income	**226**	167	**74**	67
	671	1,181	**3,140**	3,550

All the above amounts fall due within one year.

18. Creditors: amounts falling due within one year

	1999	1998 (restated)	**1999**	1998 (restated)
	£000	£000	**£000**	£000
Bank overdrafts	**4,722**	3,677	**710**	–
Trade creditors	**600**	740	**303**	341
Amounts owed to group undertakings	**–**	–	**1,655**	1,513
Corporation tax	**442**	916	**–**	–
Other taxation and social security	**232**	211	**142**	91
Other creditors	**379**	386	**302**	285
Accruals and deferred income	**314**	319	**139**	155
Proposed dividend	**1,752**	1,702	**1,752**	1,702
	8,441	7,951	**5,003**	4,087

19. Called up share capital

		1999	1998
		£000	£000
Authorised			
14,400,000	Ordinary shares of 12.5p each	**1,800**	1,800
200,000	4.2% 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	4.2% 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 4.2% Cumulative Preference shares enable the holder to receive a cumulative preferential dividend at the rate of 4.2% 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 4.2% Cumulative Preference shares.

Following the abolition of Advance Corporation Tax with effect from 6 April 1999, the rate of dividend on the 4.2% Cumulative Preference shares will increase to 6%, as these were issued before 6 April 1973. The 31.5% Cumulative Preference shares, which were issued after 1973, are unaffected.

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

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

	1999	1998 (restated)
	£000	£000
Operating profit	**6,066**	5,953
Depreciation	**548**	582
Loss on sale of fixed assets	**10**	10
Decrease in stocks	**30**	43
Increase in amounts receivable from customers	**(2,741)**	(1,728)
Decrease/(increase) in debtors	**160**	(270)
Decrease in creditors	**(140)**	(99)
Net cash inflow from operating activities	**3,933**	4,491

21. Analysis of net debt

	31 January 1998	Cash flow	**31 January 1999**
	£000	£000	**£000**
Cash at bank and in hand	163	(162)	**1**
Bank overdraft	(3,677)	(1,045)	**(4,722)**
	(3,514)	(1,207)	**(4,721)**

22. Financial commitments

	The Group		The Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Capital commitments				
Contracted for but not provided	**40**	–	–	–

Operating lease commitments

At 31 January 1999, the group and company had annual commitments under non-cancellable other operating leases as set out below:

	The Group		The Company	
	1999	1998	**1999**	1998
	£000	£000	**£000**	£000
Land and buildings				
Leases which expire:				
Within one year	**17**	20	**17**	20
Within two to five years	**103**	83	**97**	80
After five years	–	9	–	8
	120	112	**114**	108
Other				
Leases which expire:				
Within one year	–	–	–	–
Within two to five years	**2**	2	–	–
After five years	**2**	2	–	–
	4	4	–	–

23. *Contingent liabilities*

The company has entered in to cross-guarantee arrangements with respect to the bank overdrafts of certain of its subsidiaries. The maximum exposure under this arrangement at 31 January 1999 was £3,210,000 (1998 - £2,898,000).

24. Pension schemes

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 1998, using the attained age method. The following actuarial assumptions were applied:

Investment returns	8.5% per annum.
Salary growth	6.9% per annum.
Pension increases	4.3% 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 £1,453,000 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 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.

25. Related party transactions

During the year, and the preceding year, a small part of the group's premises was used by Grevayne Limited, a company of which Messrs A. M. V. Coombs and G. D. C. Coombs are directors and shareholders. One employee of this company performed certain services for S & U plc and one member of the group's staff performed services for Grevayne Limited. No payment was either made or received in respect of these services.

Five Year Financial Record

	1995	1996	1997	1998 (previously reported)	1998 (restated)	**1999**
	£000	£000	£000	£000	£000	**£000**
Turnover	61,793	64,720	60,518	60,463	62,301	**64,833**
Operating profit	6,370	7,346	7,376	6,154	5,953	**6,066**
Profit on ordinary activities before taxation	6,053	7,023	7,128	7,022	6,821	**5,852**
Corporation tax	(2,026)	(2,436)	(2,363)	(1,907)	(1,907)	**(1,796)**
Profit after taxation	4,027	4,587	4,765	5,115	4,914	**4,056**
Assets employed						
Fixed assets	3,885	3,759	3,660	2,882	2,882	**2,891**
Current assets	24,604	27,574	29,571	31,897	29,684	**31,723**
	28,489	31,333	33,231	34,779	32,566	**34,614**
Creditors	(10,078)	(10,363)	(9,759)	(8,572)	(7,951)	**(8,441)**
Shareholders' funds	18,411	20,970	23,472	26,207	24,615	**26,173**
Earnings per Ordinary share	33.0p	37.8p	39.3p	42.3p	40.6p	**33.3p**
Dividends per Ordinary share	12.5p	16.0p	18.0p	19.0p	19.0p	**20.0p**
Statistics						
Operating profit as a percentage of turnover	9.8%	10.9%	11.8%	11.6%	9.6%	**9.4%**
Operating profit as a percentage of net assets	32.9%	33.5%	30.4%	26.8%	24.2%	**23.2%**
Net borrowings as a percentage of shareholders' funds	29.4%	24.6%	18.6%	13.4%	14.9%	**18.0%**

The results from 1995 to 1998 (as previously stated) are drawn up under the former accounting policy for deferred income, and turnover in these years is net of provision for doubtful debt. They are not, therefore, directly comparable to the 1998 (restated) and 1999 figures.

Notice of Meeting

Notice is hereby given that the sixty-first Annual General Meeting of S & U PLC will be held at The Plough and Harrow Hotel, Hagley Road, Edgbaston Birmingham, B16 8LS on Thursday, 17 June 1999 at 11.30 a.m. for the following purposes:

1. To receive and consider the financial statements for the year ended 31 January 1999, together with the reports of the directors and auditors thereon.

2. To declare a final ordinary dividend of 15p per share.

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

4. To re-elect as a director Mr R. E. J. Fisher who retires by rotation.

5. To re-elect as a director Mr M. F. Hepplewhite who retires, having been appointed since the last Annual General Meeting of the company.

6. To re-elect as a director Mr D. Markou who retires, having been appointed since the last Annual General Meeting of the company.

7. To re-elect as a director Mr K. R. Smith who retires, having been appointed since the last Annual General Meeting of the company.

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

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

By Order of the Board

E. D. Maiden
Secretary

10 May 1999

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% (formerly 4.2%) and 31.5% Cumulative Preference Shares are not entitled to attend or vote in respect of these shares at this annual general meeting.
3. A copy of each directors' contract of service, where applicable, is available for inspection at the company's registered office during normal business hours, on any weekday, excluding Saturdays and public holidays, and on the day of the Annual General Meeting at the meeting venue from 11.15 a.m. until the conclusion of that meeting.
4. The register of directors interests required to be kept by the Companies Act 1985 will be available for inspection at the Annual General Meeting.

LOCATIONS

BACUP

BIRMINGHAM

BRISTOL

DUNSTABLE

EDINBURGH

FALMOUTH

HEREFORD

IPSWICH

LEICESTER

LEWISHAM

NEATH

NEWCASTLE-ON-TYNE

NEWTON ABBOT

PENMAENMAWR

PENRITH

PETERBOROUGH

SHEFFIELD

SOUTHAMPTON

STOKE-ON-TRENT

SUTTON-IN-ASHFIELD

WOLVERHAMPTON