

PROGRESSIVE FINANCIAL SERVICES LIMITED

31 DECEMBER 2003

FINANCIAL STATEMENTS



Registered Number: 133540

PROGRESSIVE FINANCIAL SERVICES LIMITED

CONTENTS

Directors' report	1 - 4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 22

**PROGRESSIVE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2003**

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2003.

1. 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 as at the end of the financial year and of the profit or loss of the company for that year.

In preparing these financial statements, the directors confirm that suitable accounting policies have been used and applied consistently. The directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003, that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

2. Principal activity and review of the business

Prior to 31 December 2002, the company's principal activity was the rental of televisions, video recorders and ancillary equipment. On 31 December 2002, the company acquired the trade and assets of fellow subsidiary undertakings Welcome Financial Services Limited, Shopacheck Financial Services Limited and Welcome Retail Services Limited, whose principal activities are the provision of consumer financial services. On 1 July 2003, the company commenced its new direct distribution motor finance business, Welcome Car Finance.

The directors are satisfied with the result for the year and the company's future prospects.

3. Results and dividends

The profit for the year, after taxation, amounted to £49,106,242 (2002: loss £107,764). The directors recommend the payment of a final ordinary dividend of £25,000,000 (2002: £100,000) making a total ordinary dividend for the year of £37,200,000 (2002: £100,000). In addition, a dividend of £10,136,918 (2002: £nil) was paid and a dividend of £2,523 (2002: £nil) was proposed during the year on the "A" preference shares.

**PROGRESSIVE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2003**

4. Directors and their interests

The directors of the company during the year were:

S P Mahon
M W G Collins
J J Corr
I S Cummine (appointed 1 January 2003)
J Blake (appointed 30 January 2003 and resigned 1 September 2004)
A Curry (appointed 30 January 2003 and resigned 1 September 2004)
S Curtis (appointed 30 January 2003 and resigned 1 September 2004)
P D Miller (appointed 30 January 2003 and resigned 1 September 2004)
D Monk (appointed 30 January 2003 and resigned 1 September 2004)
P S Wood (appointed 30 January 2003 and resigned 1 September 2004)

No director has an interest in the share capital of this company.

The interests of the directors, at 31 December 2003, in the issued share capital of the ultimate parent undertaking, Cattles plc, according to the register kept under section 325 of the Companies Act 1985, are shown in the annual report and financial statements of that company so far as Messrs S P Mahon, M W G Collins, J J Corr and I S Cummine are concerned.

The remaining directors have interests in the share capital of Cattles plc as follows:

Ordinary shares of 10p each:	2003	2002*
Beneficial holdings		
J Blake	10,543	9,295
P D Miller	4,650	8,131
D Monk	931	-
S Curtis	931	-
A Curry	931	-
P Wood	3,876	5,423
Cattles plc restricted share scheme		
J Blake	40,180	49,312
P D Miller	20,797	20,797

* or date of appointment if later

During the year, Mr J Blake received a notional award of 15,597 shares in Cattles plc Restricted Share Scheme and 9,132 in the Cattles plc Restricted Share Scheme were vested in him. On 1 April 2004 Mr J Blake received a notional award of a further 16,272 shares in the Cattles plc Restricted Share Scheme. On 1 January 2003 Mr P D Miller received a notional award of 20,797 shares in the Cattles plc Restricted Share Scheme. On 1 April 2004 Mr P D Miller received a notional award of a further 18,491 shares in the Cattles plc Restricted Share Scheme.

The terms of the Cattles plc Restricted Share Scheme are detailed in the annual report and financial statements of that company.

PROGRESSIVE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2003

4. **Directors and their interests (continued)**

Share options to Executive Directors

Option scheme	01.01.03*	Granted during the year	Exercised during the year	31.12.03	Exercise price	Date from which exercisable	Expiry date
J Blake							
SS	2,867	-	-	2,867	200.90p	01.12.06	01.06.07
A Curry							
ESOS'94	13,500	-	-	13,500	221.60p	01.10.04	01.10.11
ESOS'96	2,500	-	-	2,500	224.00p	04.10.04	04.10.11
SS	-	5,549	-	5,549	285.60p	01.12.08	01.06.09
S Curtis							
ESOS'94	10,000	-	-	10,000	220.10p	10.04.03	10.04.10
ESOS'94	3,600	-	-	3,600	221.60p	01.10.03	01.10.10
ESOS'96	2,400	-	-	2,400	224.00p	04.10.04	04.10.11
P D Miller							
ESOS'94	12,400	-	12,400	-	241.35p	12.10.01	12.10.08
ESOS'96	7,600	-	7,600	-	241.75p	13.10.01	13.10.08
SS	390	-	-	390	259.20p	01.12.04	01.06.05
SS	-	5,216	-	5,216	285.60p	01.12.08	01.06.09
D Monk							
ESOS'94	13,500	-	13,500	-	220.10p	10.04.03	10.04.10
ESOS'96	2,500	-	-	2,500	226.60p	11.04.03	11.04.10
P S Wood							
ESOS'94	10,000	-	10,000	-	241.35p	12.10.01	12.10.08
ESOS'94	1,800	-	-	1,800	325.70p	01.10.05	01.10.12
ESOS'96	4,200	-	-	4,200	324.50p	01.10.05	01.10.12
SS	-	5,549	-	5,549	285.60p	01.12.08	01.06.09

* or date of appointment if later

Full details of each of the above schemes are shown in the annual report and financial statements of Cattles plc.

**PROGRESSIVE FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2003**

5. Employment policy

The company gives sympathetic consideration to applications for employment from disabled persons wherever practicable. Successful applicants and employees who become disabled are given appropriate assistance and training and have the same career and promotion prospects as other employees.

6. Employee involvement

The directors believe in encouraging the interest and involvement of employees by making them more aware of performance at both local and group level. Many employees are able to earn bonus payments based on the profitability of their individual branch or division.

In addition, due to active in-house training programmes and formal mechanisms for regularly briefing staff such as the Cattles plc Consumer Division's magazine 'Connect' and annual conferences, groups of employees are able to meet on a regular basis to discuss future developments, exchange ideas and provide feedback to management.

7. Supplier payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers when a binding purchase contract is entered into, provided that all trading terms and conditions have been complied with. At the year end, the company had an average of 22 days purchases outstanding in trade creditors.

8. Independent auditors

The company has passed an elective resolution to dispense with the obligation to re-appoint auditors annually. PricewaterhouseCoopers LLP shall, therefore, be deemed re-appointed as auditors.

By Order of the Board



R C W TODD
Secretary

Registered Office:
Kingston House
Centre 27 Business Park
Woodhead Road
Birstall
Batley
WF17 9TD

11 October 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROGRESSIVE FINANCIAL SERVICES LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 regarding directors' remuneration and transactions is not disclosed.

Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds

11 October 2004

PROGRESSIVE FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	497,720,517	4,778,927
Cost of sales		(272,859,624)	(2,910,908)
Gross profit		224,860,893	1,868,019
Administrative expenses		(154,587,185)	(2,145,508)
Operating profit/(loss)	2,3	70,273,708	(277,489)
Income from shares in group undertakings		846,019	100,000
Profit/(loss) on ordinary activities before taxation		71,119,727	(177,489)
Tax on profit/(loss) on ordinary activities	7	(22,013,485)	69,725
Profit/(loss) on ordinary activities after taxation		49,106,242	(107,764)
Dividends	8	(47,339,441)	(100,000)
Retained profit/(loss) for the year	18	1,766,801	(207,764)

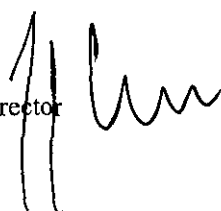
The results shown in the profit and loss account above derive wholly from continuing operations. The results of the new direct distribution motor finance business were not material and hence, in accordance with FRS3 'Reporting financial performance', have not been separately disclosed in the profit and loss account. The only recognised gains and losses for the year are those dealt with in the profit and loss account above.

PROGRESSIVE FINANCIAL SERVICES LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	2002 £
Fixed assets			
Intangible assets	9	22,785,626	20,281,984
Tangible assets	10	25,422,794	31,267,483
Investments	11	4,000	1,457,470
		<u>48,212,420</u>	<u>53,006,937</u>
Current assets			
Customers' accounts receivable:			
Amounts falling due after more than one year		830,636,289	676,627,233
Amounts falling due within one year		592,784,669	572,739,469
		<u>1,423,420,958</u>	<u>1,249,366,702</u>
Less: deferred revenue		(216,379,072)	(229,833,521)
		<u>1,207,041,886</u>	<u>1,019,533,181</u>
Stocks	12	2,986,720	48,627
Debtors	13	19,354,476	15,005,654
Cash at bank and in hand		10,776,558	10,015,241
		<u>1,240,159,640</u>	<u>1,044,602,703</u>
Creditors - amounts falling due within one year	14	(1,112,391,117)	(992,969,403)
Net current assets		<u>127,768,523</u>	<u>51,633,300</u>
Total assets less current liabilities		<u>175,980,943</u>	<u>104,640,237</u>
Creditors - amounts falling due after more than one year	14	(1,715,867)	(4,044,712)
Net assets		<u><u>174,265,076</u></u>	<u><u>100,595,525</u></u>
Capital and reserves			
Called up share capital	16	100,711,885	100,004,995
Share premium account	17	71,195,860	-
Profit and loss account	18	2,357,331	590,530
Shareholders' funds	19	<u><u>174,265,076</u></u>	<u><u>100,595,525</u></u>
Attributable to equity shareholders		102,362,326	100,595,525
Attributable to non-equity shareholders		71,902,750	-

Approved by the Board on 11 October 2004 and signed on its behalf by:

J J CORR - Director



PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

1. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

Accounting convention

The financial statements are prepared under the historical cost convention. Consolidated financial statements have not been prepared in accordance with section 228 of the Companies Act 1985 as the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, which prepares consolidated financial statements.

In accordance with paragraph 3(3) of Schedule 4 of the Companies Act 1985, the directors have adapted the arrangement of certain headings in the profit and loss account to reflect more appropriately the nature of the company's activities. In particular, cost of sales includes net interest payable and finance charges on bank and other borrowings.

Turnover

Turnover, which is exclusive of value added tax, comprises:

Instalment credit agreements:	Revenue earned (as below)
Insurance policies:	Commission received, less provision for rebates on early settlements
Goods and services:	Gross amounts of goods or services supplied

Instalment credit revenue recognition

An initial amount of the gross revenue is credited to the profit and loss account, mainly to cover the costs associated with the setting up of the transaction. *Deferred revenue* comprises the remaining amount of gross revenue which is carried forward in customers' accounts receivable. This is calculated to adequately cover future collecting and financing costs and to allow for an appropriate contribution to profits in subsequent accounting periods. In respect of home collected credit, deferred revenue is released to profit on a straight line basis in proportion to the reduction in the collectible amount. Deferred revenue on monthly instalment credit is released on a 'rule of 78' basis over the lesser of the contracted and effective term of the agreement.

Customers' accounts receivable

Customers' accounts receivable consist of amounts outstanding under instalment credit agreements including repayments not yet due at the year end, less appropriate provision for bad and doubtful debts based upon the individual assessment of accounts and formulae related to past experience.

Deferred tax

Deferred tax 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 law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised only 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.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

1. Accounting policies (continued)

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included at cost, unless, in the opinion of the directors, a permanent diminution in value has occurred, in which case the deficiency is provided for and charged in the profit and loss account.

Stocks

Stocks comprise motor vehicles held for resale. Stocks are included at the lower of cost and net realisable value.

Goodwill

Goodwill represents the difference between the fair value of a business or company acquired, as represented by the consideration paid, and the fair value of the net assets acquired. Goodwill arising on the acquisition of subsidiary undertakings and trading assets is capitalised at cost and subsequently amortised on a straight line basis over its estimated useful life up to a maximum of 20 years. This reflects the period over which the directors estimate that the value of the underlying businesses acquired is expected to exceed the value of the underlying assets.

Goodwill arising on acquisitions is reviewed for impairment, in accordance with FRS 10 'Goodwill and intangible assets' and FRS 11 'Impairment of fixed assets and goodwill', at the end of the first full year after acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment assessed is charged to the profit and loss account.

Under the transitional arrangements of FRS 10, up to 31 December 1997 goodwill arising on acquisitions was brought in at cost and offset firstly against negative goodwill arising during the year on similar acquisitions, secondly against available reserves and thereafter against retained profits brought forward. Goodwill written off to reserves prior to 1 January 1998 has not been reinstated. On the subsequent disposal of any business to which previously written off goodwill attaches, the related amount is charged or credited in the profit and loss account as appropriate.

Tangible fixed assets and depreciation

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis by reference to the estimated useful economic life and residual value of the assets concerned, at the following principal rates:

Freehold buildings	2% per annum
Long leasehold buildings	2% per annum
Short leasehold expenditure	5% to 20% per annum
Motor vehicles	20% per annum
Fixtures and equipment	10% to 33 $\frac{1}{3}$ % per annum
Assets held for rental	20% per annum

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

1. Accounting policies (continued)

Depreciation is not provided on freehold and long leasehold land.

Fixed assets are reviewed for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. If events or changes in circumstances indicate that the carrying value may not be recoverable, any impairment in value is charged to the profit and loss account.

Pension funding

The company is a member of a group which operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service life of employees in the scheme. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted and are disclosed in the group financial statements prepared by Cattles plc. The scheme was closed to new entrants from 1998.

Since 1998, the group has also operated a defined contribution scheme. The pension cost in respect of this scheme is the contributions payable. Payments made to personal pension plans are charged to the profit and loss account as they become payable. The company provides no other post-retirement benefits to its employees or directors.

Leasing

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the agreement and depreciated over the shorter of the period of the agreement and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the agreement in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals payable under operating leases are charged to the profit and loss account over the period of the lease on a straight line basis.

2. Turnover and operating profit/(loss)

Turnover and operating profit/(loss) are wholly attributable to the provision of consumer credit services, direct distribution motor finance business and television and ancillary equipment rental activities within the United Kingdom, the company's principal activities.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

3. Operating profit/(loss)

This is stated after charging:	2003	2002
	£	£
Interest on external bank and other borrowings included in cost of sales	302,147	176,139
Finance charges on amounts owed to group undertakings included in cost of sales	64,791,964	-
Depreciation – on owned tangible fixed assets	7,775,606	837,254
Depreciation – on tangible fixed assets held under finance leases and hire purchase contracts	2,015,908	93,493
Amortisation of goodwill	1,420,018	66,169
Provision for diminution in value of investment (note 11)	1,453,470	-
Loss on disposal of tangible fixed assets	756,484	88,439
Finance lease charges	276,314	21,936
Operating lease rentals - land and buildings	4,830,592	45,264
- plant and machinery	3,457,112	107,231
Auditors' remuneration - as auditors	170,500	100,000

4. Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	826,953	-
Contributions to defined contribution pension schemes	45,788	-

The number of directors to whom retirement benefits are accruing under pension schemes is:

	2003	2002
	No.	No.
Under defined benefit schemes	1	1
Under defined contribution schemes	9	2

The emoluments of the highest paid director were:

	2003	2002
	£	£
Aggregate emoluments	173,480	-
Contributions to defined contribution pension scheme	13,750	-

Three directors exercised share options in the shares of Cattles plc during the year. Three directors received shares under the Cattles plc Restricted Share Scheme.

Those directors of the company who are also directors of the ultimate parent undertaking receive no emoluments in respect of their services for Progressive Financial Services Limited.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

5. Staff costs

	2003	2002
	£	£
Wages and salaries	76,878,562	966,193
Social security costs	6,940,557	81,135
Cattles pension scheme costs (note 6)	1,896,789	50,375
Defined contribution pension scheme costs (note 6)	608,026	12,432
	<u>86,323,934</u>	<u>1,110,135</u>

The average monthly number of persons employed by the company during the year was as follows:

	2003	2002
	No.	No.
Branch office staff, agents and other operations staff	3,789	75
Central support services	332	-
	<u>4,121</u>	<u>75</u>

6. Pension costs

The company is a member of a group which operates a funded defined benefit pension scheme for employees which is contracted out of the state scheme. The assets of the scheme are held separately in a trustee administered fund. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. This scheme was closed to new entrants from 1998.

Details of the scheme including the most recent actuarial valuation, assumptions affecting that valuation and current funding levels are disclosed in the group financial statements prepared by Cattles plc. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted and are also disclosed in the group financial statements prepared by Cattles plc.

The company participates in the Cattles Staff Pension Fund which is a multi-employer scheme. It is not possible to identify the share of the underlying assets and liabilities in the Fund relating to individual participating employers. As such, in accordance with FRS 17, the company will account for its liability to the Fund as if it were a defined contribution scheme. Thus no disclosure of the balance sheet position will be made and the charge to profit and loss under FRS 17 in future years will represent the actual contributions paid by the company.

The charge in this company for pension cost for this scheme for the year was £1,896,789 (2002: £50,375).

The group also operates defined contribution group personal pension schemes for new employees and existing employees who are not members of the defined benefit pension scheme. The pension cost in respect of these schemes is the contribution payable, which was £608,026 for the year (2002: £12,432).

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

7. Tax on profit/(loss) on ordinary activities

	2003	2002
	£	£
Based on the profit/(loss) for the year:		
Current tax:		
UK corporation tax at 30% (2002: 30%)	23,382,499	(41,175)
Adjustments in respect of previous years	(851,468)	(2,280)
	<u>22,531,031</u>	<u>(43,455)</u>
Deferred tax:		
Origination and reversal of timing differences	(1,069,764)	(20,304)
Adjustments in respect of previous years	552,218	(5,966)
	<u>22,013,485</u>	<u>(69,725)</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2002: 30%). The actual tax charge/(credit) for the current and the previous year differs to the standard rate for the reasons set out in the following reconciliation.

	2003	2002
	£	£
Profit/(loss) on ordinary activities before tax	71,119,727	(177,489)
Tax on profit/(loss) on ordinary activities at standard rate	21,335,918	(53,247)
Factors affecting charge/(credit) for the year:		
Accounting depreciation in excess of capital allowances	853,807	20,304
Expenses not deductible for tax purposes (including goodwill amortisation)	1,230,623	21,768
Movements on short term timing differences	215,957	-
Adjustments to tax charge/(credit) in respect of previous years	(851,468)	(2,280)
Income from shares in group undertakings	(253,806)	(30,000)
Current tax charge/(credit) for the year	<u>22,531,031</u>	<u>(43,455)</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

8. Dividends

	2003 £	2002 £
Interim paid – on equity shares	12,200,000	-
Final proposed – on equity shares	25,000,000	100,000
	<u>37,200,000</u>	<u>100,000</u>
Dividend paid – on “A” preference shares	10,136,918	-
Dividend proposed – on “A” preference shares	2,523	-
	<u>10,139,441</u>	<u>-</u>
	<u>47,339,441</u>	<u>100,000</u>

9. Intangible fixed assets

	Goodwill £
Cost at 1 January 2003	23,557,345
Adjustments (note 21)	3,923,660
	<u>27,481,005</u>
Cost at 31 December 2003	<u>27,481,005</u>
Amortisation at 1 January 2003	3,275,361
Charge for the year	1,420,018
	<u>4,695,379</u>
Amortisation at 31 December 2003	<u>4,695,379</u>
Net book amount at 31 December 2003	<u>22,785,626</u>
Net book amount at 31 December 2002	<u>20,281,984</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

10. Tangible fixed assets

	Total	Freehold land & buildings	Long leasehold land & buildings	Short leasehold land & buildings	Motor vehicles	Fixtures & equipment	Assets held for rental
	£	£	£	£	£	£	£
Cost							
At 1 January 2003	65,316,507	6,102,790	187,500	6,630,986	8,749,414	37,881,176	5,764,641
Group transfers	1,406,248	-	-	-	441,322	964,926	-
Additions	7,904,682	161,080	-	1,291,114	516,777	4,765,439	1,170,272
Disposals	(9,564,528)	(704,564)	-	(1,240,880)	(3,400,204)	(1,830,224)	(2,388,656)
At 31 December 2003	65,062,909	5,559,306	187,500	6,681,220	6,307,309	41,781,317	4,546,257
Accumulated depreciation							
At 1 January 2003	34,049,024	265,592	8,726	3,665,661	3,087,430	24,519,681	2,501,934
Group transfers	940,633	-	-	-	132,135	808,498	-
Charge for the year	9,791,514	70,196	3,352	1,266,229	2,057,268	5,667,335	727,134
Disposals	(5,141,056)	(73,327)	-	(1,126,207)	(2,210,307)	(755,645)	(975,570)
At 31 December 2003	39,640,115	262,461	12,078	3,805,683	3,066,526	30,239,869	2,253,498
Net book value							
At 31 December 2003	25,422,794	5,296,845	175,422	2,875,537	3,240,783	11,541,448	2,292,759
At 31 December 2002	31,267,483	5,837,198	178,774	2,965,325	5,661,984	13,361,495	3,262,707

The net book value of motor vehicles includes an amount of £3,024,596 (2002: £5,378,647) and the net book value of fixtures and equipment includes an amount of £1,518,130 (2002: £nil) in respect of assets held under finance leases and hire purchase contracts.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

11. Investments

Cost	£
At 1 January 2003 and 31 December 2003	1,457,470
Provision for diminution in value	
At 1 January 2003	-
Provided during the year	(1,453,470)
At 31 December 2003	(1,453,470)
Net book value	
At 31 December 2003	4,000
At 31 December 2002	1,457,470

At 31 December 2003, the company held an investment in Macadam Finance Limited, a dormant company, which is wholly owned and registered in England & Wales. During the year, a provision was made against this investment, writing it down to its net asset value.

12. Stocks

	2003	2002
	£	£
Motor vehicles held for resale	2,986,720	-
Television and ancillary equipment held for future rental	-	48,627
	<u>2,986,720</u>	<u>48,627</u>

13. Debtors

	2003	2002
	£	£
Trade debtors	4,868,883	3,631,852
Amounts owed by group undertakings	1,710,880	1,700,114
Other debtors	139,956	416,105
Prepayments and accrued income	10,449,616	8,336,007
Dividends receivable	846,019	100,000
Deferred taxation (note 15)	1,339,122	821,576
	<u>19,354,476</u>	<u>15,005,654</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

14. Creditors

	2003	2002
	£	£
Amounts falling due within one year:		
Bank borrowings	14,596,497	11,665,182
Obligations under finance leases and hire purchase contracts	3,070,450	2,593,368
Trade creditors	21,536,767	27,949,981
Amounts owed to group undertakings	1,013,236,509	923,409,560
Corporation tax	18,583,518	11,052,326
Other taxes and social security	3,478,202	2,446,556
Accruals and deferred income	12,886,651	13,752,430
Dividends payable	25,002,523	100,000
	<u>1,112,391,117</u>	<u>992,969,403</u>
Amounts falling due after more than one year:		
Obligations under finance leases and hire purchase contracts	<u>1,715,867</u>	<u>4,044,712</u>
<i>Amounts owed to group undertakings consist of:</i>		
Loan note partially funding acquisition of trades of Shopacheck Financial Services Limited and Welcome Financial Services Limited	884,325,000	884,325,000
Other amounts owed to group undertakings	128,911,509	39,084,560
	<u>1,013,236,509</u>	<u>923,409,560</u>

In 2002, the trades of Shopacheck Financial Services Limited and Welcome Financial Services Limited were acquired by the company. To assist the company in this acquisition, Cattles plc lent the company funds of £884,325,000. This loan note was initially repayable in full on 19 December 2003, however the term of the redemption date was extended on 19 December 2003 to a latest redemption date of 20 December 2004 with the option to redeem at the end of each calendar month in the forthcoming year.

On redemption, under the terms of the loan note agreement, the company is obliged to repay the capital sum and issue such number of 1p irredeemable preference shares that have a market value at that time as determined by the terms of the agreement.

The amount shown as bank borrowings represents the proportion of the total group overdraft and loan facilities of Cattles plc currently utilised by this company.

Amounts falling due after more than one year in respect of obligations under finance leases and hire purchase contracts have maturity dates of less than five years.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

15. Deferred taxation

Deferred taxation is provided in full and is made up as follows:	2003 £	2002 £
Accelerated capital allowances	(586,623)	538,838
Short term timing differences	(752,499)	(1,360,414)
	<u>(1,339,122)</u>	<u>(821,576)</u>
Movement in asset:		£
As at 1 January 2003		(821,576)
Credit to profit and loss account		(517,546)
As at 31 December 2003 (note 13)		<u>(1,339,122)</u>

16. Share capital

	Authorised			
	2003	2002	2003	2002
	No.	No.	£	£
Ordinary shares of £1 each	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary shares of 1p each	500,000	500,000	5,000	5,000
"A" preference shares of 1p each	10,000,000	-	100,000	-
Irredeemable preference shares of 1p each	150,000,000	100,000,000	1,500,000	1,000,000
	<u>260,500,000</u>	<u>200,500,000</u>	<u>101,605,000</u>	<u>101,005,000</u>
	Allotted, called up and fully paid			
	2003	2002	2003	2002
	No.	No.	£	£
Ordinary shares of £1 each	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary shares of 1p each	499,500	499,500	4,995	4,995
"A" preference shares of 1p each	10,000,000	-	100,000	-
Irredeemable preference shares of 1p each	60,688,970	-	606,890	-
	<u>171,188,470</u>	<u>100,499,500</u>	<u>100,711,885</u>	<u>100,004,995</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

16. Share capital (continued)

The "A" preference shares have the following rights:

- (i) to receive first out of profits:
 - (a) on or after the third day following issue of the shares, a single non-cumulative special dividend per share equal to £0.99 plus Z, where Z equals £0.99 multiplied by X, and where X equals interest at the 6 month Sterling LIBOR rate for each day from the issue date until the date the special dividend is paid; and
 - (b) a cumulative dividend at the rate of 6 month Sterling LIBOR per annum on the amount paid up as to nominal value on each "A" preference share.
- (ii) in a winding up, to receive repayment of capital as to nominal value and any unpaid and accrued dividends in preference to all other classes of share;
- (iii) no right to attend and vote at general meetings of the company, except where a resolution is to be proposed:
 - (a) abrogating, varying or modifying any of the rights of the holders of the "A" preference shares; or
 - (b) in respect of a winding up of the company
 or if any "A" preference dividend has been declared but not paid.

The irredeemable preference shares have the following rights:

- (i) to receive second out of profits a cumulative preferential dividend equal to 12 month Sterling LIBOR plus 4.68% multiplied by £1.00, paid annually in arrears;
- (ii) in a winding up, to receive repayment of capital as to nominal value, any unpaid dividends and a further £0.99 per irredeemable preference share in preference to all classes of share other than the "A" preference shares;
- (iii) no right to attend and vote at general meetings of the company.

17. Share premium account

	£
At 1 January 2003	-
Issue of preference shares	71,195,860
	<hr/>
At 31 December 2003	<u>71,195,860</u>

18. Profit and loss account

	£
At 1 January 2003	590,530
Retained profit for the year	1,766,801
	<hr/>
At 31 December 2003	<u>2,357,331</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

19. Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit/(loss) after taxation for the year	49,106,242	(107,764)
Dividends	(47,339,441)	(100,000)
Issue of share capital (including share premium)	71,902,750	100,000,000
Movement in shareholders' funds	73,669,551	99,792,236
Shareholders' funds at 1 January	100,595,525	803,289
Shareholders' funds at 31 December	<u>174,265,076</u>	<u>100,595,525</u>

20. Operating lease obligations

At 31 December 2003 the company had the following annual commitments in respect of non-cancellable operating leases which expire:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	563,824	132,197	267,183	38,869
In two to five years	936,915	1,727,619	806,352	1,525,796
After five years	2,153,806	-	1,628,860	-
	<u>3,654,545</u>	<u>1,859,816</u>	<u>2,702,395</u>	<u>1,564,665</u>

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

21. Prior year acquisitions

As permitted by FRS 7 'Fair values in acquisition accounting' the fair values of the net assets acquired in 2002 have been reassessed as at 31 December 2003. The effect of this has been to reduce the fair value of customers' accounts receivable related to the acquisition of Welcome Financial Services Limited by £3,923,660. Specifically, the adjustment relates to the motor finance loan portfolio acquired in 2002 by Welcome Financial Services Limited, prior to the subsequent acquisition of Welcome Financial Services Limited by Progressive Financial Services Limited. The effect of this revision has been to increase goodwill by £3,923,660, as set out below. There have been no fair value adjustments to the other acquisitions made by Progressive Financial Services Limited in 2002.

	Welcome Financial Services Limited - provisional fair value £	Fair value adjustment £	Final fair value £
Goodwill	3,791,543	-	3,791,543
Tangible fixed assets	11,355,534	-	11,355,534
Customers' accounts receivable	827,707,914	(3,923,660)	823,784,254
Current assets	11,754,698	-	11,754,698
Current liabilities	(30,781,389)	-	(30,781,389)
Deferred tax	(127,441)	-	(127,441)
	<hr/> 823,700,859	<hr/> (3,923,660)	<hr/> 819,777,199
Satisfied by:			
Cash	794,822,000	-	794,822,000
Inter-company borrowings	28,878,859	-	28,878,859
	<hr/>	<hr/>	<hr/>
Goodwill (note 9)	-	3,923,660	3,923,660
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22. Contingent liabilities

The company, together with other companies in the group, has entered into an unsecured unlimited multilateral bank guarantee.

PROGRESSIVE FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003

23. Cash flow statement

As the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, a cash flow statement has not been prepared. The parent company prepares consolidated financial statements which include a consolidated cash flow statement dealing with the cash flows of the group.

24. Related party transactions

The company has taken advantage of the exemption available under FRS 8 'Related party transactions' from disclosing transactions between the company and other undertakings that are part of the Cattles plc group on the grounds that all the voting rights of the company are controlled by Cattles plc.

25. Ultimate parent undertaking

The ultimate parent undertaking and controlling party of this company is Cattles plc, registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Cattles plc. The consolidated financial statements of this group are available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, WF17 9TD.