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SHOPACHECK FINANCIAL SERVICES LIMITED

31ST DECEMBER, 1996

FINANCIAL STATEMENTS

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COMPANIES HOUSE 29/10/97

Company number: 274611

SHOPACHECK FINANCIAL SERVICES LIMITED

CONTENTS

SHOPACHECK FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31st December, 1996.

1. Directors' responsibilities

   Company law requires us as 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 of the profit or loss of the company for that period. In preparing those financial statements we 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, subject to any material departures disclosed and explained in the financial statements.
   - prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

   We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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. Results and dividends

   The trading profit for the year, after taxation, amounted to £13,096,067 and the directors recommend the payment of a final ordinary dividend amounting to £650,000 which together with an interim dividend of £6,800,000 leaves £5,646,067 to transfer to profit and loss reserves.

3. Review of the business

The principle activity of the company is the provision of consumer credit services. Following the successful transfer of the monthly Shopaplan trade to its fellow subsidiary company Shopaplan ltd, on 1st Janauary 1996, the company enjoyed continuing growth in turnover and profits and the directors consider the company to be in a strong position for the future.

4. Tangible fixed assets

The changes in tangible fixed assets during the year are summarised in the notes to the accounts.

5. Directors and their interests

The directors of the company at 31st December, 1996 were:-

J. E. G. Cran (Chairman)	M. J. Loughman
G. R. Dunn	M. G. Goulding
G. Clappison	D. M. Berry
K. I. Dunn	I. S. Halder

Messrs. A. O. Ayre and W. N. Roberts resigned from the board on 15th January, 1996. Mr T McFarlane also resigned from the board on 31st March, 1996. There were no other changes in directorships during the year.

Directors' interests

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

The interests of the directors in the share capital of the ultimate holding company, Cattles plc, according to the register kept under section 325 of the Companies Act 1985 are shown in the report and accounts of that company in respect of Messrs. J. E. G. Cran, G. R. Dunn and G. Clappison.

SHOPACHECK FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

5. Directors and their interests (continued)

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

	Ordinary Shares of 10p each	
Beneficial interests	1996	1995
K. I. Dunn	88,922	92,759
M. J. Loughman	12,096	16,241
M. G. Goulding	20,637	27,437
D. M. Berry	24,225	17
I. S. Halder	28	-

Cattles (Holdings) Executive Share Option Scheme (1985)
- options exercisable at 68p per share

	1996	1995
K. I. Dunn	-	-
M. J. Loughman	-	-
M. G. Goulding	-	-
D. M. Berry	30,926	30,926
I. S. Halder	-	-

Cattles Executive Share Option Scheme (1994)

	1996	1995
- options exercisable at 193.9p between 11.10 98 and 11.10.2005		
I. S. Halder	30,000	30,000
- options exercisable at 261.3p between 1.5.99 and 1.5.2006		
K. I. Dunn	11,000	-
M. J. Loughman	11,000	-
M. G. Goulding	11,000	-
D. M. Berry	11,000	-

The above options were granted on 1st May, 1996.

5. Directors and their interests (continued)

Cattles Executive Share Option Scheme (1994)

	1996	1995
- options exercisable at 268.9p between 16.5.99 and 16.5.2006		
K. I. Dunn	9,000	-
M. J. Loughman	9,000	-
M. G. Goulding	9,000	-
D. M. Berry	9,000	-

The above options were granted on 16th May, 1996.

Employee share scheme trusts - Ordinary shares of 10p each	1996	1995
K. I. Dunn	5,829	17,989
M. J. Loughman	2,323	1,271
M. G. Goulding	2,536	1,427
D. M. Berry	2,515	1,408
I. S. Halder	1,385	787

Employee Sharesave Scheme

- options exercisable at 98.0p per share between 1.8.98 and 31.1.99	1996	1995
K. I. Dunn	17,602	17,602
M. J. Loughman	5,280	5,280
M. G. Goulding	17,602	17,602
D. M. Berry	8,448	8,448
I. S. Halder	2,112	2,112

- options exercisable at 158.5p per share between 1.12.2000 and 1.5.2001	1996	1995
K. I. Dunn	-	-
M. J. Loughman	7,618	7,618
M. G. Goulding	-	-
D. M. Berry	1,305	1,305
I. S. Halder	1,305	1,305

5. Directors and their interests (continued)

Cattles Executive Share Option Scheme (1994)

- options exercisable at 268.9p between 16.5.99 and 16.5.2006	1996	1995
K. I. Dunn	9,000	-
M. J. Loughman	9,000	-
M. G. Goulding	9,000	-
D. M. Berry	9,000	-

The above options were granted on 16th May, 1996.

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I. S. Halder	1,305	1,305

DIRECTORS' REPORT

6. Donations

The company has made various charitable donations amounting to £957. There were no political donations.

7. Disabled persons

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

8. Employee involvement

The directors believe in encouraging the interest and involvement of employees by making them more aware of performance at both local, company and group level. Many employees are able to earn bonus payments based on the profitability of their individual branch or division, and also participate in the employee share incentive scheme, introduced in 1982 whereby an allocation from group profits is made to qualifying employees in the form of shares in the parent company. In addition, due to an increasingly active in-house training programme groups of employees are able to meet on a regular basis to discuss future developments and exchange ideas.

9. Auditors

Smailes, Goldie & Co. resigned as auditors on 9 May 1996 at the request of the directors and Price Waterhouse were appointed as sole auditors on this date.

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

By Order of the Board
P. J. Doherty
P. J. DOHERTY

Secretary

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

24th March, 1997

AUDITORS' REPORT TO THE MEMBERS OF SHOPACHECK FINANCIAL SERVICES LIMITED

We have audited the financial statements on pages 7 to 21 which have been prepared in accordance with the accounting policies set out on pages 9, 10 and 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 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 31st December, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants and
Registered Auditors
9 Bond Court
Leeds
LS1 2SN

24th March, 1997

SHOPACHECK FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1996

	Notes	1996		1995	
		£	£	£	£
Turnover	2		197,767,009		213,737,163
Raw materials and consumables		10,104,926		9,130,558	
Other external charges		126,114,041		146,571,565	
Deferred revenue		2,149,122	138,368,089	3,566,060	159,268,183
			59,398,920		54,468,980
Staff costs	4	12,052,045		10,767,748	
Depreciation		1,871,265		1,618,636	
Other operating charges		25,949,350	39,872,660	25,324,211	37,710,595
Operating profit	3		19,526,260		16,758,385
Income from susidiary undertakings			150,000		100,000
Profit on ordinary activities before taxation			19,676,260		16,858,385
Tax on profit on ordinary activities	6		6,580,193		5,558,766
Profit on ordinary activities after taxation			13,096,067		11,299,619
Dividends	7		7,450,000		7,150,000
Retained profit for year	16	£	5,646,067	£	4,149,619

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996	1995
	£	£
Profit for the year	13,096,067	11,299,619
Deficit arising on revaluation of freehold property	-	(125,363)
Total recognised gains and losses arising in the year	£13,096,067	£ 11,174,256

There were no material acquisitions and no discontinued activities during the year.

The annexed notes form part of these financial statements.

SHOPACHECK FINANCIAL SERVICES LIMITED

BALANCE SHEET AT 31ST DECEMBER, 1996

	Notes	1996 £	1996 £	1995 £	1995 £
Fixed assets					
Tangible assets	8		6,004,714		6,599,427
Investments at cost	9		1,692,272		1,692,272
			7,696,986		8,291,699
Current assets					
Customers' accounts receivable					
Amounts falling due after more than one year		6,815,047		9,072,875	
Amounts falling due within one year		97,372,467		107,464,504	
		104,187,514		116,537,379	
Debtors	10	3,132,417		4,058,802	
Cash at bank and in hand		1,812,202		1,876,069	
		109,132,133		122,472,250	
Creditors: amounts falling due within one year					
Creditors	11	64,682,176		83,323,407	
Bank borrowings	12	3,401,291		4,725,930	
		68,083,467		88,049,337	
Net current assets			41,048,666		34,422,913
Total assets less current liabilities			48,745,652		42,714,612
Creditors: amounts falling falling due after more than one year	13	24,953,948		24,006,917	
Provisions for liabilities and charges	14	204,400	25,158,348	239,067	24,245,984
			£ 23,587,304		£ 18,468,628
Capital and reserves					
Called up share capital	15		91,500		91,500
Profit and loss account	16		23,479,157		18,360,411
Revaluation reserve	16		16,647		16,717
Shareholders' funds	17		£ 23,587,304		£ 18,468,628

G. CLAPPISON - Director

Approved by the Board on 24th March, 1997.

The annexed notes form part of these financial statements.

(d) Customers' accounts receivable

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

(e) Depreciation

Depreciation is not provided on freehold land and buildings. It is the policy of the group to maintain its properties in good condition by a regular programme of maintenance and repair, the cost of which is charged to profit and loss account in the year in which the expenditure is incurred. It is considered that this policy extends the useful life of the properties and as a result any depreciation arising would not be material. Depreciation on all other tangible fixed assets is calculated on a straight line basis by reference to the expected life and residual value of the assets concerned at the following principal rates:

Short leasehold expenditure	5% to 20% per annum
Fixtures and equipment	10% to 20% per annum
Motor vehicles	20% per annum

(f) Deferred taxation

Deferred taxation represents so much of the difference at the current rate of corporation tax between the allowances utilised for taxation purposes and the amounts included in the accounts, which, in the opinion of the directors may, on a group basis, result in a corporation tax liability or benefit in the foreseeable future.

(d) Customers' accounts receivable

Customers' accounts receivable consist of amounts outstanding under instalment credit agreements, including repayments not yet due at the year end, less adequate provisions for bad and doubtful debts based upon the individual assessment of accounts.

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(g) Pension funding

The company is a member of a group which operates a defined benefit pension scheme for employees, 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.

(h) Goodwill

Goodwill arising on the acquisition of subsidiaries and trading assets is brought in at cost, and is offset by capital reserves arising during the year on similar acquisitions. Any resulting excess of capital reserves is included in reserves. Any excess of goodwill is written off firstly against available reserves and thereafter against retained profits brought forward.

(i) Fixed asset investments

Fixed asset investments are included at cost.

(j) Operating lease contracts

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

The turnover and operating profit is wholly attributable to check, voucher, personal finance and retailing activities, within the United Kingdom.

3. Operating profit

	1996	1995
(a) This is stated after charging or (crediting):	£	£
Directors' remuneration (see (b) below)	416,535	448,936
Operating lease rentals - land and buildings	636,510	661,110
- other	21,876	25,594
Auditors' remuneration	65,502	50,000
Rents receivable	(67,703)	(77,088)

	1996	1995
(b) Directors' remuneration:	£	£
Other emoluments	416,535	442,269
Pensions to former directors	-	6,667
	£ 416,535	£ 448,936

The emoluments of the chairman excluding pension contributions, were £NIL(1995 £Nil) and of the highest paid director, excluding pension contributions, £70,515(1995 £61,847). Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1996	1995
	No.	No.
£Nil - £ 5,000	5	3
£20,001 - £25,000	-	1
£25,001 - £30,000	-	1
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	2
£50,001 - £55,000	2	-
£55,001 - £60,000	-	1
£60,001 - £65,000	-	2
£65,001 - £70,000	3	-
£70,001 - £75,000	1	-

SHOPACHECK FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31ST DECEMBER, 1996

4. Staff costs

	1996	1995
	£	£
Wages and salaries	10,603,231	9,457,278
Social security costs	853,171	704,965
Pension costs	595,643	605,505
	£ 12,052,045	£ 10,767,748

	1996	1995
The average weekly number of employees during the year was made up as follows:	No.	No.
Directors, administration and supervisory	96	119
Agents and branch office staff	1,118	1,073
	1,214	1,192

5. Pension costs

The company is a member of a group which operates a defined benefit pension scheme for employees. 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 a qualified actuary using the projected unit method.

Actuarial valuations are normally carried out triennially, the most recent valuation being as at 31st March, 1995. At the date of the latest actuarial valuation the market value of the assets of the scheme was £13,938,000. The actuarial value of the assets represented 94 per cent of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions, relative to price inflation, which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in earnings and the rate of dividend growth. It was assumed that the investment return would exceed price inflation by 4.5 per cent per annum, that salary increases would exceed price inflation by 2 per cent per annum and that the annual rate of dividend growth would rise in line with price inflation. The same actuarial assumptions have been adopted to determine the group's pension cost.

On this basis the funding shortfall disclosed has been spread over the average expected future working lives of scheme members. The charge in this company for pension cost for the year under this scheme was £595,643 (1995 £576,907).

6. Tax on profit on ordinary activities

	1996 £	1995 £
Based on the profit for the year:		
Corporation tax at 33%	6,600,000	5,505,000
Deferred taxation	(36,547)	61,120
	6,563,453	5,566,120
Taxation over provided in previous years:		
Corporation tax	14,860	(7,274)
Deferred taxation	1,880	(80)
	£ 6,580,193	£ 5,558,766

7. Dividends

	1996 £	1995 £
Ordinary - interim paid	6,800,000	2,000,000
- final proposed	650,000	5,150,000
	£ 7,450,000	£ 7,150,000

8. Tangible fixed assets

	Total	Freehold property	Short leasehold property and improvements	Motor vehicles	Office equipment
	£	£	£	£	£
Cost or valuation:					
At 1st January, 1996	12,319,265	942,750	1,315,734	4,332,542	5,728,239
Transfer from/(to) fellow subsidiary	(81,734)			(40,306)	(41,428)
Additions	1,852,314	144,976	87,843	1,199,514	419,981
Disposals	(2,198,518)	(85,000)		(1,342,790)	(770,728)
At 31st December, 1996	11,891,327	1,002,726	1,403,577	4,148,960	5,336,064
Depreciation:					
At 1st January, 1996	5,719,838	-	762,622	1,549,558	3,407,658
Transfer from fellow subsidiary	(24,925)		-	10,374	(35,299)
Provided during the year	1,871,265	-	155,470	920,584	795,211
Disposals	(1,679,565)	-		(929,524)	(750,041)
At 31st December, 1996	5,886,613	-	918,092	1,550,992	3,417,529
Net book value at 31st December, 1996	£ 6,004,714	1,002,726	485,485	2,597,968	1,918,535
Net book value at 31st December, 1995	£ 6,599,427	942,750	553,112	2,782,984	2,320,581

The freehold/feuhold properties owned and/or occupied by the company were valued by external valuers, G.L. Hearn & Partners, Chartered Surveyors as at 31st December, 1995 on the basis of 'existing use value' except those premises held as investment and surplus to requirements which were valued on the basis of 'open market value' in accordance with the Appraisal & Valuation Manual of the Royal Institution of Chartered Surveyors.

8. Tangible fixed assets (continued)

The total value which includes freehold/feuhold occupied and part tenanted freehold/feuhold held as investments and freehold/feuhold surplus to requirements was £942,750. No provision has been made in respect of the corporation tax which would arise on the disposal of the property at the valuation figure adopted in the accounts.

For the freehold property which includes valuation:

Historical cost:	
At 31st December, 1995	1,116,742
Disposals	(91,565)
At 31st December, 1996	£ 1,025,177

9. Investments at cost

Subsidiary undertakings

The company owns the whole of each class of share capital issued by the following companies, each of which is registered in England and Wales.

Personal Loans (Swansea) Limited	- Dormant
Teleplan Rentals Limited	- Television and video recorder rental
The Hull Clothing and Supply Co. Ltd (formerly Shopaplan Ltd)	- Dormant
Provincial Lending Co. Limited	- Dormant
R. W. Turner Limited	- Dormant
Morville Credit Finance Limited	- Dormant

These investments are shown in the balance sheet at their cost of £1,692,272 (1995 £1,692,272).

10. Debtors

	1996 £	1995 £
Fellow subsidiary companies	1,505,083	1,262,603
Trade debtors	815,459	276,269
Other debtors	234,350	154,090
Prepayments and accrued income	427,525	765,840
Inter company dividend receivable	150,000	100,000
ACT recoverable	-	1,500,000
	£ 3,132,417	£ 4,058,802

11. Creditors: amounts falling due within one year

	1996 £	1995 £
Parent and fellow subsidiary companies	50,348,527	64,307,393
Trade creditors	4,772,293	4,244,048
Corporation tax	4,909,820	5,522,814
Other taxes and social security costs	1,335,067	1,598,171
Accruals and deferred income	846,856	991,213
Other creditors	119,613	9,768
ACT payable	1,700,000	1,500,000
Proposed dividends	650,000	5,150,000
	£ 64,682,176	£ 83,323,407

12. Bank borrowings

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.

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

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

	1996	1995
	£	£
Deferred revenue	24,542,984	24,006,917
Other taxes and social security	410,964	-
	£ 24,953,948	£ 24,006,917

14. Provisions for liabilities and charges

	1996	1995
	£	£
Deferred taxation		
Deferred taxation is provided in full and is made up as follows:		
Accelerated capital allowances	204,400	288,650
Other timing differences	-	(49,583)
	£ 204,400	£ 239,067

As at 31st December, 1995	239,067
Transfer to profit and loss account	(34,667)
As at 31st December, 1996	£ 204,400

15. Share capital

	Authorised		Allotted, called up and fully paid	
	1996	1995	1996	1995
	No.	No.	£	£
Ordinary shares of £1 each	91,500	91,500	£ 91,500	£ 91,500

16. Reserves

	Profit and loss account £	Revaluation reserve £
As at 31st December, 1995	18,360,411	16,717
Retained profit for the year	5,646,067	-
Goodwill on acquisitions (note 21)	(527,391)	-
Realisation of unrealised gain on revalued property	70	(70)
As at 31st December, 1996	£ 23,479,157	£ 16,647

17. Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit for the financial year	13,096,067	11,299,619
Dividends	7,450,000	7,150,000
	5,646,067	4,149,619
Goodwill written off (note 21)	(527,391)	(147,137)
Other recognised gains and losses	-	(125,363)
Net additions to shareholders' funds	5,118,676	3,877,119
Shareholders' funds at 31st December, 1995	18,468,628	14,591,509
Shareholders' funds at 31st December, 1996	£ 23,587,304	£ 18,468,628

18. Operating lease obligations

The company has the following commitments for the year ending 31st December, 1997 in respect of operating leases relating to land and buildings which expire:

	1996	1995
	£	£
Within one year	99,001	83,845
Between two and five years	198,524	207,185
After five years	255,807	253,044
	£ 553,332	£ 544,074

19. Capital commitments

	1996	1995
	£	£
Contracted for but not provided in these accounts	£ -	£ 103,791
Authorised by the directors but not contracted for	£ 1,458,642	£ 313,800

20. Ultimate holding company

The ultimate holding company 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 accounts 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.

21. Goodwill

During the year the company made various acquisitions, wholly for cash as follows:

	Total
	£
Tangible fixed assets	40,425
Customers' accounts receivable	2,022,086
Accounting policy alignment (restatement of customers' accounts receivable to company basis)	(97,577)
Net assets	1,964,934
Consideration	2,492,325
Goodwill	£ 527,391

22. Cash flow statement

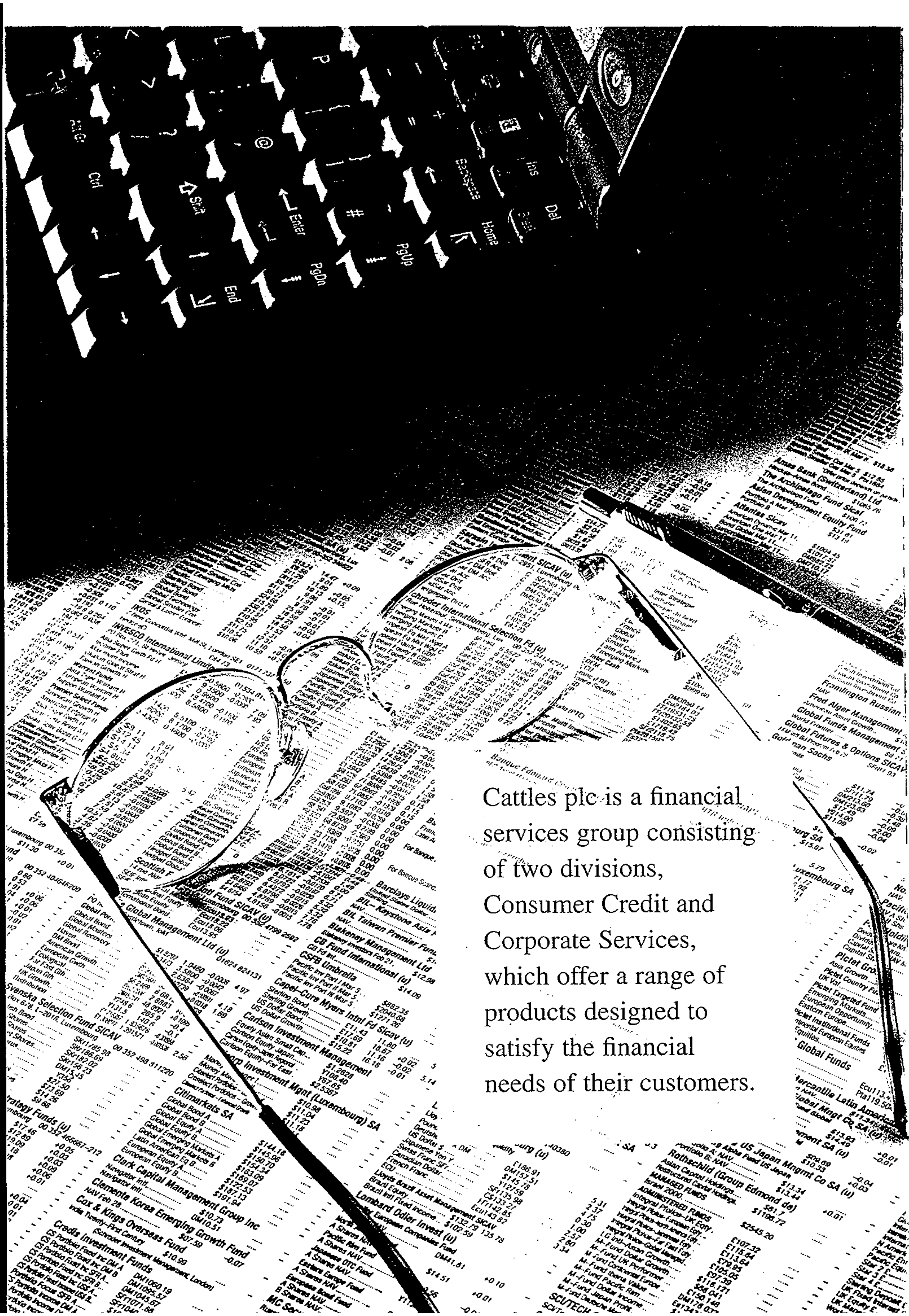
As the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, a cash flow statement has not been prepared. The parent company prepares consolidated accounts, which include a consolidated cash flow statement dealing with the cash flows of the group.

23. Contingent liabilities

The company has assigned leases in respect of which it could become liable for future rentals on the default of the assignees. The maximum liability under these arrangements is £23,800.

Cattles

Cattles plc
Annual Report and Accounts
1996



Cattles plc is a financial services group consisting of two divisions, Consumer Credit and Corporate Services, which offer a range of products designed to satisfy the financial needs of their customers.

CHAIRMAN'S STATEMENT

PETER COURTNEY

It gives me great pleasure to present another record set of results. Pre-tax profit has increased by 20 per cent to £33.9 million (1995: £28.2 million) and earnings per share have increased by 21 per cent to 17.0p (1995: 14.0p).

The directors are recommending an increased final dividend of 5.5p per share compared to 4.45p last year, payable on 27th May 1997. This, together with the interim dividend of 2.8p paid in November 1996, makes a total of 8.3p compared to last year's total of 6.9p, representing an increase of 20 per cent.

Shareholders are again offered the choice of taking shares in the company as an alternative to the cash dividend. Forms of election will be posted to shareholders on 21st April 1997.

Both operating divisions achieved their objectives during the year and once again a great deal of the credit is attributable to our employees. On behalf of my colleagues on the board I extend our thanks for their contribution to the continued success of the group. A major element in this success has been the outstanding performance of Welcome since its acquisition in November 1994. I am delighted to report that the investment return has more than doubled since acquisition and therefore the maximum additional deferred consideration of £3.5 million will be paid in November 1997.

There has been much activity in all parts in the group during 1996. In particular, we have successfully completed the relocation of our corporate headquarters to Leeds and significantly improved communication links by introducing full voice and data networking to all our principal locations. Furthermore, we have increased our available bank facilities from £170 million to £240 million and continue to enjoy very good support from our bankers. These are all essential ingredients in the attainment of our longer term strategies and objectives and the further development of the group.

We have again shown that we are able to produce excellent results from our clear focus on our chosen markets. Though at an early stage in the new year, with the benefit of the first few weeks results behind us, we remain confident that 1997 will bring further progress.

PETER COURTNEY

CONSUMER CREDIT

Shopacheck Financial Services, based in Hull, is the second largest weekly home collected credit company in the UK and operates from 135 branch offices supporting around 2,100 prime agents. The core product, accounting for around 70 per cent of the business, is a small unsecured cash loan, typically for an amount of around £150 repayable over a six month period. Various other products account for the other 30 per cent of Shopacheck's instalment credit business, principally merchandise related.

Integral to Shopacheck are **Ewbanks and Teleplan.** Ewbanks provides merchandising support with its range of mainly household goods. These are sold on weekly terms by leaflet and catalogue through the agency force. Teleplan provides a television and video rental service with weekly collection similarly provided by the Shopacheck agency force.

Shopaplan is based in Hull and provides credit facilities for specific purchases repayable by monthly instalments. Introductions are referred to Shopaplan from a network of over 3,000 independent retail outlets. A typical advance would be for around £500 repayable over 12 months.

Welcome Financial Services, based in Nottingham, operates through a network of 61 branches and provides personal loan and hire purchase credit facilities for repayment on monthly terms by bankers order or direct debit. A typical advance would be for around £2,000 repayable over a two to three year period.

CORPORATE SERVICES

Cattles Commercial Finance, Cattles Commercial Leasing and Mutual Trust & Savings, based in Hull, provide asset backed leasing, hire purchase and block discounting facilities to small and medium sized businesses. A typical advance is in the region of £15,000 over a three year repayment period. Mutual Trust & Savings holds a banking licence and provides deposit taking facilities.

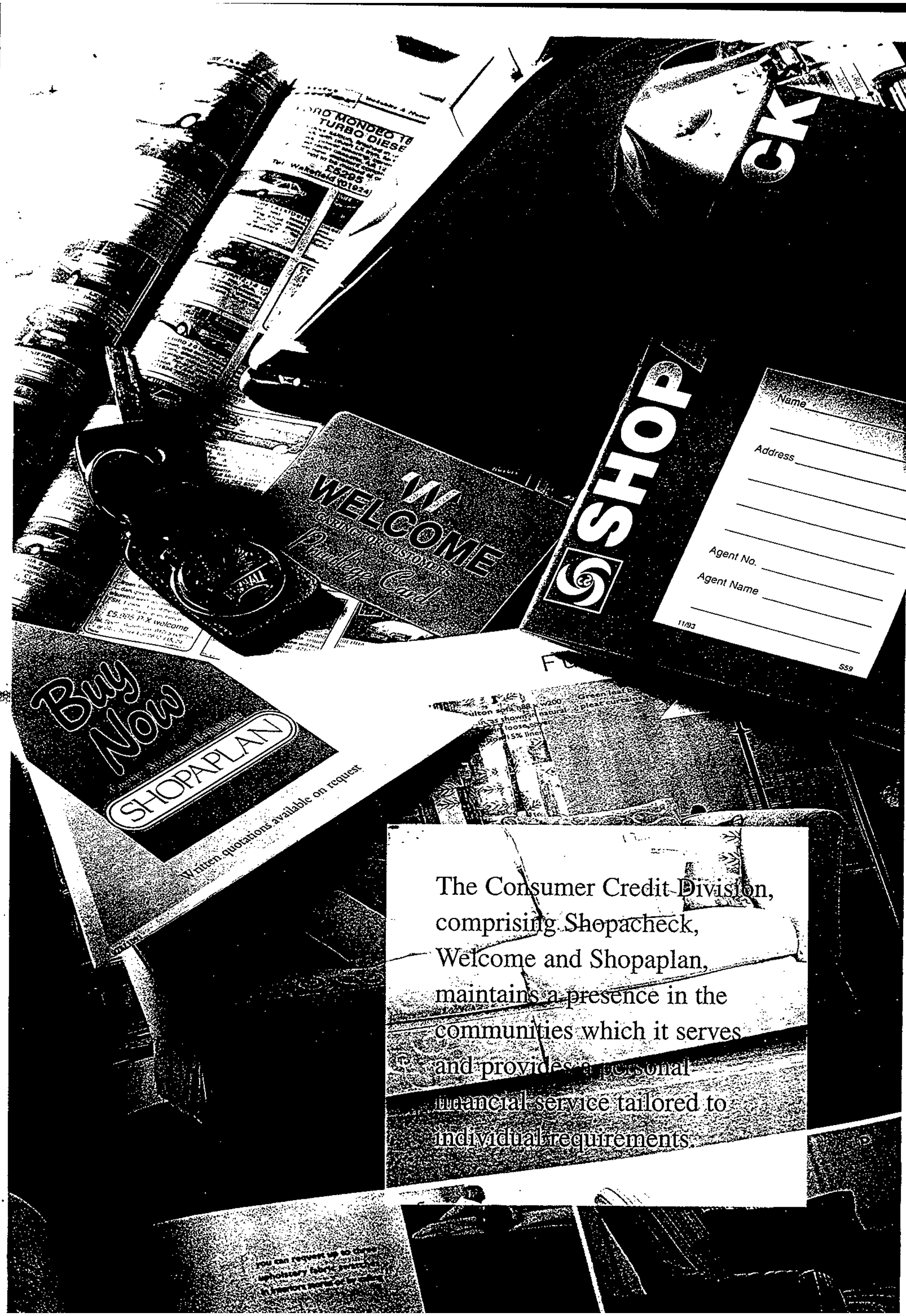
Reedham Factors, based in Manchester, provides an invoice factoring and sales ledger management service to small and medium sized businesses which would typically have an annual turnover in the range of £50,000 to £1 million.

EDWARD CRAN

This year we have again witnessed changes in the general financial services industry in the UK. These have resulted in further reductions in branch networks and associated staff across the sector. Contrary to this, we believe that, in our own niche, personal customer contact on a regular basis is fundamental to the success of our type of business. Research has shown that there are a number of potential customers in our market place who wish to be served other than by the weekly home call and our ability to serve those customers with a range of alternative products and repayment methods through a branch network continues to grow. The ability to have personal contact at the point of sale, and throughout the life of the product, ensures that a relationship with the customer can be cemented such that any difficulties can be successfully resolved without damage to that relationship. As more and more mainstream lenders operate their businesses at arms length, we believe this will actually encourage the growth of our market of which we estimate that we currently serve less than 10 per cent. Our own expansion is constrained only by the level of investment required to develop people and related information technology.

PRE-TAX PROFITS AND CUSTOMERS' ACCOUNTS RECEIVABLE

Segmental analysis of pre-tax profits and customers' accounts receivable by individual operating unit is shown in notes 4 and 15 on pages 28 and 33.



The Consumer Credit Division, comprising Shopacheck, Welcome and Shopaplan, maintains a presence in the communities which it serves and provides a personal financial service tailored to individual requirements.

CONSUMER CREDIT

The larger proportion of the group's profits is generated within the consumer credit division. Prior to 1994 around 90 per cent of the group's profits were from the Shopacheck weekly home collected credit business. This dependancy has been counterbalanced in the last two years such that this accounted for around 65 per cent in 1996. It is our stated intention that by the end of this decade 50 per cent of profit will be generated from activities outside of weekly home collected credit whilst at the same time continuing to develop and grow the Shopacheck business.

Shopacheck has continued its successful formula during the year and in doing so has grown its customer base by 16,000 to 276,000, the majority of which was self generated. In addition, the acquisition of approximately £1.5 million of receivables from Standard Supply has added strength to our existing business in Northern Ireland. Notable progress has been made in the merchandising and television rental divisions. In both these areas it has been shown that by offering a range of quality products and a high standard of service, there is a high and increasing demand from our customers.

Shopaplan has completed its first full year of trading as an independent unit within the consumer credit division, having been segregated from Shopacheck at the beginning of 1996. Its internal rate of return, although acceptable, is below what we would expect from this business. During the course of the year the process of centralisation into Hull continued and greater emphasis was placed on increasing the return and planning for the future rather than a rapid expansion of the customer receivables base.

Welcome has continued to expand throughout the year by increasing its branch network to 61. Its customer base has increased by 23 per cent to 45,000 and its receivables by 28 per cent to £108 million. The performance of Welcome and its integration into the group has proved very rewarding. Not only is it becoming a major profit contributor in its own right, but the synergies and other benefits it has brought to other areas of the group are very apparent. The prospects for this business are substantial.

The Corporate Services Division of Cattles Commercial Finance, Cattles Commercial Leasing, Mutual Trust & Savings and Reedham Factors, specialises in the provision of highly flexible solutions to meet the funding and cash flow requirements of small and medium sized businesses.

CORPORATE SERVICES

Reedham Factors has grown significantly since it became part of the group in 1994. Invoices factored and profits have both doubled since its acquisition. New systems have been successfully implemented, more space has been acquired in Manchester and an active training programme for new staff is proving very effective. Foundations have been laid to enable further progress to be made in 1997.

The finance and leasing division has been static this year in terms of growth and profitability. A period of investment, particularly in marketing initiatives, is beginning to show results and we expect to see a resumption of increased profitability with no reduction in the investment return in 1997.

BALANCE SHEET

During the year the group increased its available bank facilities from £170 million to £240 million and the interest rate hedging policy, described elsewhere, continues. Shareholders' funds have increased by £9 million to £71 million to leave gearing at a conservative 2.05 times. Customers' accounts receivable have increased by 16 per cent to £263 million compared to £226 million last year.

THE FUTURE

I have referred previously to the major constraints on the expansion of our business. They are people and systems, in that order. We continue to recruit and train so that, as we grow, our customers will always have personal contact with a member of staff. We continue to invest in information technology so that more of our staff can be available at the front end to service the needs of our customers.

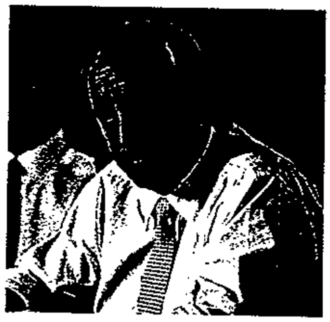
Progress across the group has again been excellent. We are developing a unique culture and we set ourselves ever more demanding objectives. We shall continue to be successful only through the efforts of the people we employ and I add my thanks for their contributions this year. I have every confidence that we shall meet our objectives again in 1997.

EDWARD CRAN

DIRECTORS AND ADVISERS

PETER H. COURTNEY

J. EDWARD G. CRAN



GRANT CLAPPISON

GRAHAM R. DUNN

NEIL LEWIS

BARRIE COTTINGHAM

PATRICK J. DOHERTY

Directors

*Peter H. Courtney FCA, Chairman. Age 64. Appointed to the board 1994. Director of The Throgmorton Trust PLC and other companies.

J. Edward G. Cran ACMA, Chief Executive. Age 45. Joined the company and appointed to the board 1990. Non-executive director of Rosebys PLC.

Grant Clappison FCA, Finance Director. Age 50. Joined the company 1973 and appointed to the board 1990.

Graham R. Dunn. Age 53. Joined the company 1968 and appointed to the board 1990.

*Neil Lewis. Age 62. Appointed to the board 1993.

*Barrie Cottingham FCA. Age 63. Appointed to the board 1995. Non-executive chairman of SIG plc and a non-executive director of Vibroplant PLC.

**Non-executive and member of the Audit, Remuneration and Nomination Committees.*

Secretary and Registered Office

Patrick J. Doherty MA (Oxon)
Solicitor,
Kingston House,
Centre 27 Business Park,
Woodhead Road,
Birstall,
Batley WF17 9TD

Registered Number 543610

Auditors

Price Waterhouse,
9 Bond Court,
Leeds LS1 2SN

Registrars

The Royal Bank of Scotland plc,
P.O. Box 435, Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 4BR

Stockbrokers

HSBC James Capel,
Thames Exchange,
10 Queen Street Place,
London EC4R 1BL

Merchant Bankers

J. Henry Schroder & Co. Ltd.,
120 Cheapside,
London EC2V 6DS

Solicitors

Walker Morris,
Kings Court,
12 King Street,
Leeds LS1 2HL

Public Relations

Haggie Financial Ltd.,
Roman House,
Wood Street,
London EC2Y 5BA

Principal Bankers

The Royal Bank of Scotland plc
Midland Bank plc
The First National Bank of Chicago

The directors submit their report together with the group accounts for the year ended 31st December 1996.

Principal Activities

The principal activities of the group are in:

- **Consumer credit** – home collected credit, related merchandising and monthly instalment loan and hire purchase credit to consumers.
- **Corporate services** – hire purchase, leasing and invoice factoring to businesses.

A review of the principal business activities is contained in the chief executive's review on pages 5 to 9 and a list of principal operating subsidiary undertakings is set out on page 21.

Results and Dividends

The group profit and loss account is set out on page 22. The performance of the group is reviewed in the chairman's statement on page 3 and the chief executive's review on pages 5 to 9.

The turnover for the year was £333,187,000 and the profit before taxation was £33,864,000 after charging interest of £9,802,000. An analysis of turnover and profit before taxation, by segmental activity, is set out in note 4 on page 28. The charge for taxation for the year is set out in note 5 on page 29. After the provision for the payment of dividends, £11,775,000 has been retained in the group profit and loss account.

The changes in tangible fixed assets during the year are set out in note 14 on pages 32 and 33.

A final dividend of 5.5p per share is proposed and, if approved, will be paid on 27th May 1997 to shareholders on the register on 11th April 1997. A scrip alternative to the final cash dividend will be offered. Forms of election will be posted to shareholders on 21st April 1997. The final dividend, together with the interim dividend of 2.8p paid in November 1996, makes a total for the year of 8.3p.

Directors

The board comprises three executive directors and three non-executive directors whose details are set out on page 10. There are seven regular board meetings a year and other meetings when needed.

The directors retiring by rotation and offering themselves for re-election are:

- Grant Clappison, who holds office as an executive director and has a rolling service contract requiring a period of notice of eighteen months from the company or six months from the director.
- Neil Lewis, who holds office as a non-executive director without a service contract.

Details of the directors' interests in the shares of the company are set out in the report of the remuneration committee on pages 16 to 20.

There were no contracts of significance subsisting during the period in which a director is or was materially interested.

During the year the company maintained liability insurance for its directors and officers.

Bank Facilities

In October 1996 the company re-scheduled its bank facilities and also increased the total amount of available funding from £170.5 million to £240 million. The funding profile now comprises:

- £13 million short term overdraft facilities renewable annually
- £105 million syndicated facility, maturing August 2000 with an option to extend to August 2001
- £122 million syndicated facility, maturing October 2001 with options to extend to October 2002 and thereafter to October 2003.

Utilisation from each syndicated facility is by money market renewable term loans or acceptances at a fixed margin over floating rate LIBOR, as pre-determined by each facility agreement.

Financial Instruments

It is the policy of the company to manage the risk of exposure to adverse interest rate fluctuations by the use of interest rate hedging instruments such as swaps and caps. It is not the policy of the company to trade in such instruments. The level of protection contracted for at any particular time would not exceed actual or projected borrowings except in the event of short term timing differences. A summary of bank borrowings and hedging positions is set out in note 19 on page 35.

REPORT OF THE DIRECTORS

Close Company Status
The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Substantial Shareholdings
As at 24th March 1997, the company had not been notified of any existing interests pursuant to sections 198–208 of the Companies Act 1985 representing 3 per cent or more of the issued share capital of the company.

Donations
Charitable donations during the year amounted to £6,696; there were no political donations.

Deferred Purchase Consideration
The terms of the acquisition of the Welcome Group in November 1994 included an element of consideration contingent upon the financial performance of Welcome in the year to 31st December 1996. For the maximum contingent consideration of £3.5 million to become payable, the investment return generated by Welcome needed to be double the agreed level based on 1993, the last full financial year prior to acquisition.

The original Welcome business plan, if subsequently matched by actual performance, indicated that £1.0 million out of the potential £3.5 million would eventually become payable and accordingly this amount was provided for in the 1994 and 1995 accounts. The 1996 results of Welcome show, however, that the original profitability targets have been exceeded to such an extent that the maximum will become payable. The additional amount of £2.5 million has therefore been provided in these accounts and charged as further goodwill arising on the acquisition of the Welcome Group.

The total additional amount payable to London and Manchester Group plc is consequently £6.0 million, comprising £3.5 million of contingent consideration explained above and the fixed amount of £2.5 million of deferred consideration. This amount, under the terms of the acquisition agreement, is payable in cash in November 1997.

Employment Policy
The group 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.

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, participate in the employee share incentive scheme, originally introduced in 1982 and replaced in 1994, whereby an allocation from group profits is made to qualifying employees in the form of shares in the company, and subscribe for options under the employee sharesave scheme, introduced in 1993. In addition, due to an active in-house training programme, groups of employees are able to meet on a regular basis to discuss future developments and exchange ideas.

Auditors
Price Waterhouse have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the annual general meeting.

Allotment of Shares
By a special resolution passed at the annual general meeting of the company held on 13th May 1993, the directors were authorised under section 80 of the Companies Act 1985 to exercise the power to allot relevant securities (as defined in section 80(2)) up to a maximum nominal amount of £3,673,758. At the extraordinary general meeting of the company held on 21st October 1994 the directors were authorised to allot an additional amount of relevant securities up to a maximum nominal amount of £2,871,631. These authorities run concurrently and will not expire until the annual general meeting in 1998 or 12th May 1998 whichever is the sooner unless earlier revoked, varied or renewed by the company in general meeting. Of the original nominal amounts so authorised, £4,029,466 remains available pursuant to the existing authorities. The directors consider that it is now appropriate to renew and extend the existing authorities.

The notice of annual general meeting therefore includes an ordinary resolution to be proposed at the meeting to authorise the directors to allot the authorised but unissued share capital up to a maximum nominal amount of £4,575,306. This is equivalent to one-third of the company's issued ordinary share capital as at 31st December

1996. The new authority will, if granted, expire at the conclusion of the annual general meeting to be held in 2002 or 7th May 2002 (whichever is the sooner) unless earlier revoked, varied or renewed for a further period not exceeding five years.

Pre-emption Rights

At the annual general meeting of the company held on 9th May 1996 a special resolution was passed pursuant to section 95 of the Companies Act 1985 disapplying the pre-emption rights under section 89(1) by empowering the directors to allot equity securities (as defined in section 94(2)).

In accordance with the guidelines of the investment committees of institutional investors, the directors seek renewal annually of the power to disapply the statutory pre-emption rights contained in section 89(1), in respect of the allotment for cash consideration of equity securities (as defined in section 94(2)). The notice of annual general meeting therefore includes a special resolution to be proposed at the meeting, whereby the directors seek power to allot shares for cash otherwise than in accordance with the pre-emption rights set out in section 89(1) in connection with a rights issue or otherwise up to a maximum nominal amount of £686,296. This is equivalent to 5 per cent of the company's issued ordinary share capital as at 31st December 1996.

Dividends – Share Alternative

The explanatory letter and forms of election setting out details of the scrip dividend alternative in respect of the final dividend for the year ended 31st December 1996 will be posted to shareholders on 21st April 1997.

Corporate Governance

Compliance

The board confirms that the company complied throughout the year with all the provisions of the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance (the 'Code').

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 and of the profit or loss of the group for that period. In preparing these 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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 the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board Committees

The board has appointed the following committees, each having a formal constitution:

- **Audit Committee**

  The audit committee comprises the three non-executive directors under the chairmanship of Barrie Cottingham. Its terms of reference include monitoring the appropriateness of accounting policies, financial reporting and internal financial controls. The committee calls upon the external auditors, internal auditors and executive directors to attend meetings as required.

- **Remuneration Committee**

  The remuneration committee comprises the three non-executive directors under the chairmanship of Neil Lewis. The report of the remuneration committee is set out on pages 16 to 20.

- **Nomination Committee**

  The nomination committee comprises the three non-executive directors and the chief executive under the chairmanship of Peter Courtney. It meets on an ad-hoc basis to propose to the board any new appointments of executive or non-executive directors.

Internal Financial Control

The board of directors has overall responsibility for the group's internal financial control system which aims to safeguard the assets and provide reasonable assurance that the financial information used within the business and for publication is reliable. The directors recognise that there are inherent limitations in any system of internal financial control and as such the controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The audit committee is responsible for the reviewing of the operation and effectiveness of the internal financial control system on a regular basis. A full review of the system was conducted during the financial year.

The principal features of the group's internal financial control system can be summarised as follows:

- there is a clearly defined organisational structure with lines of responsibility and delegation of authority to divisional executive management supported by established policies and procedures.
- it is a primary responsibility of the board to identify the major business risks facing the group and develop appropriate policies by which they can be managed. The work of internal audit focuses on the group's most significant areas of risk and ensures that key control objectives are achieved.
- operation of a comprehensive planning and financial reporting system which covers income, expenditure, cash flows and balance sheets. Annual budgets and medium term plans are approved by the board and monitored against actual performance on a monthly basis to identify any significant deviation from approved plans. The annual budget is subject to re-forecast mid-way through the year and the medium term plan is updated on a three year rolling cycle.
- adoption of a schedule of matters reserved for the approval of the board ensuring that it maintains full and effective control over appropriate financial, strategic, organisational and compliance issues. The board has identified a number of key areas which are subject to regular reporting to the board.
- delegation of the responsibility for implementation and maintenance of the system of internal financial control procedures to the executive management.
- internal audit monitors the operation of the system and reports to the audit committee.

Going Concern

After making appropriate enquiries, the directors are satisfied that the company and the group have adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the group's financial statements.

By order of the board,
P. J. DOHERTY, Secretary
24th March 1997

P. J. Doherty

Report of the Auditors

to the Directors of Cattles plc

Report of the auditors to the directors on corporate governance matters

In addition to our audit of the financial statements we have reviewed the directors' statement on pages 13 and 14 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v), if not otherwise disclosed.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

In our opinion, the directors' statements on internal financial control and on going concern on pages 13 and 14 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the company and examination of relevant documents, the directors' statement on page 13 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review by Listing Rule 12.43 (j).

PRICE WATERHOUSE,
Chartered Accountants,
9 Bond Court,
Leeds LS1 2SN

24th March 1997

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee
The remuneration of executive directors is determined by the remuneration committee. The remuneration committee is composed of three non-executive directors, Neil Lewis (Chairman), Peter Courtney and Barrie Cottingham. The composition of the committee has remained unchanged throughout the year. None of the committee has any personal financial interests in the company other than as shareholders, nor have they any day-to-day involvement in the running of the business or conflicts of interests arising from cross-directorships. The committee consults the chief executive regarding its proposals and has access to external professional advice as required.

Compliance
The constitution and operation of the committee is in compliance with the principles incorporated into section A of the Code of Best Practice issued by the Study Group on Directors' Remuneration ('the Greenbury Committee') as amended by the Stock Exchange Listing Rules. The committee affirms that in framing its policy for directors remuneration, it has given full consideration to section B of the Best Practice provisions annexed to the Stock Exchange Listing Rules.

Policy on the Remuneration of Executive Directors
The remuneration committee ensures that remuneration packages are competitive and provide motivation and appropriate reward for the enhancement of shareholder value. It is the objective of the committee to maintain an appropriate balance between fixed remuneration and performance related remuneration which can be measured against internal and external targets.

The main elements of the remuneration package are as follows:

(i) **Basic Salary**
Basic salary is determined by the remuneration committee taking into account the performance of the individual and having regard to relevant market comparisons from independent sources based on objective research.

(ii) **Annual Bonus**
The targets which trigger annual cash bonuses are set by the remuneration committee. Equal weight is given to both internal and external measures of performance with, for 1996, a potential maximum payment of 50 per cent of basic salary in respect of each element. The actual profit and earnings per share performance measured against budget determines the internally related element of bonus. The external element is based on the amount by which earnings per share growth on a graduated scale exceeds (a) the constituents of the 'other financial' sector of the FTSE All Share Index and (b) the constituents of the FTSE All Share Index. From 1st January 1997 the total amount of annual bonus will be restricted to a maximum of 50 per cent of basic salary, weighted equally between internal and external performance measurements, with a maximum of 25 per cent in respect of each element.

(iii) **Share Schemes**
The philosophy of the company over many years follows the belief that share ownership by executive directors and senior executives strengthens the link between their personal interests and those of shareholders.

(a) **Long Term Share Incentive – Restricted Share Schemes**
These schemes, established in 1994, are structured to provide longer term incentives for the attainment of improved group performance over an extended period. The participants include the executive directors and some other key senior executives who are best placed to influence such performance. In relation to the awards made contingently under the schemes in 1994 and 1996 each participant is notionally awarded shares at the then current market price up to a limit referenced to basic annual salary (subject to a maximum multiple of four times). The number of these shares which a participant ultimately receives will depend upon performance over a period measured by real growth in earnings per share. Earnings per share is calculated on the same basis as stated in the consolidated accounts subject to any costs or payments to any restricted share scheme of the company being disregarded, and subject also to the remuneration committee making such adjustment as it sees fit to take account of any material adverse short term effect arising from an acquisition or any exceptional item of profit or loss in the consolidated accounts of the company in a particular year. Any such adjustment to earnings per share by the remuneration committee will be made in consultation with the auditors.
There are two schemes (1 and 2) to enable different performance periods to be set under which executives may become entitled to an award of shares, subject to meeting the performance goals.

The shares will not be vested absolutely in the participants until the end of three years and then only if they are still in Cattle's employment at the time. The rules cover the possibility of shares vesting at an earlier date in the event of death, or employment ceasing due to injury, disability or normal retirement. In the event of a change of control of the company any shares already awarded as a result of the goals having been attained will be vested in the participants. Any balance of the notional award for future accounting periods will not be vested.

Until the shares vest, the participants will have no voting rights in respect of them nor will they be entitled to any dividends.

The performance criteria under scheme 1 have been met and the shares under this scheme will therefore vest in December 1997. No further notional awards will be made under scheme 1. For notional awards made up to 31st December 1996 under scheme 2, earnings per share must grow by a minimum predetermined amount, set at the time of the award, over a three year performance period before participants will become entitled to any shares.

Awards made contingently from 1997 onwards will additionally be subject to external comparison of earnings per share growth against the constituents of both the 'other financial' sector of the FTSE All Share Index and the All Share Index taken as a whole. The inclusion of this additional performance criterion follows the recommendation in the Greenbury Report. The awards are at the sole discretion of the remuneration committee which determines from time to time which executives shall be invited to participate and the level of awards of shares to be made to each of them. From 1st January 1997 any awards will be restricted to a maximum of one times basic salary in any year.

The schemes operate in conjunction with an employee benefit trust, the trustee of which is Cattles Trustee Limited, a wholly owned subsidiary of Cattles. The directors of the trustee company are the members of the remuneration committee, all of whom are non-executive directors of the parent company, and none of whom is a beneficiary under the schemes. The Trust purchases shares in the market for the purpose of the schemes, hence there is no issue of new shares. The Trust will at no time hold more than 5 per cent of the issued share capital of Cattles.

The schemes are funded by loans from the company to the trustee of the Trust which then acquires Cattles' shares for the purpose of the schemes.

The loans are repayable over the life of the schemes out of contributions from Cattles which are taken as a charge against profits each year.

The making of the loans, in so far as they could be regarded as related party transactions, were deemed to be 'small transactions' within the meaning of the Listing Rules and the London Stock Exchange accordingly waived the usual requirements for a transaction with a related party.

The aggregate total of loans up to 31st December 1996 amount to £1,682,000 of which £697,000 remains outstanding to be repaid over the remaining life of the schemes from contributions chargeable against future profits.

The accounting treatment of the shares held by the Trust and the underlying loan are dealt with in the accounts in accordance with UITF13 – accounting for ESOP trusts.

(b) Executive Share Option Schemes

At the annual general meeting in 1994 the shareholders approved the adoption of the Cattle's Executive Share Option Scheme 1994. This replaced the Cattle's (Holdings) Executive Share Option Scheme (1985), under which no further options can be granted. The 1994 scheme imposes restrictions on the exercise of options dependent upon the achievement of certain performance criteria consistent with the recommendations published by the investment committees representing institutional shareholders. Executive directors' outstanding share options were all granted under the terms of the 1985 scheme where exercise is not dependent upon performance criteria.

The Executive Share Option Scheme (1996), which was approved at the annual general meeting in 1996, was introduced primarily to ensure that the conditions attaching to the existing outstanding options granted under the earlier schemes are not retrospectively varied by any subsequent grant as a result of the taxation changes introduced in 1995 relating to grants of options.

This new scheme very closely mirrors the 1994 scheme and will operate in conjunction with that scheme.

The grants of options under the 1994 and 1996 schemes are the responsibility of the remuneration committee. Save for options still outstanding and unexercised under the 1985, 1994 and 1996 schemes, executive directors and senior executives will not participate in the Executive Share Option Schemes if they have been invited to participate in the Restricted Share Schemes described at (a) above.

(c) Cattles Employee Sharesave Scheme
This scheme was introduced in 1993 to enable all employees, including executive directors, with more than two years' service at the date of invitation, to enter into a SAYE savings plan. At the end of five years, participants can exercise an option to acquire shares in the company at a fixed price determined at the outset of the savings contract in accordance with the scheme rules. The timings of invitations under this scheme are made by the board acting upon the recommendation of the remuneration committee. Invitations were circulated to qualifying employees in 1993 and again in 1995.

(d) Cattles Employee Share Scheme 1994
This scheme was introduced in 1994 replacing a similar scheme which had been in operation since 1982. It is a profit sharing scheme whereby an amount is set aside out of profits to acquire shares in the company to be held in a trust on behalf of eligible employees. An amount of up to five per cent of the pre-tax profit can be applied each year in this way. The total amount to be set aside is determined by the board acting upon the recommendation of the remuneration committee and the amounts attributable to eligible employees are determined by a formula linked to the individual's salary and the profit performance of the operating unit in which they are employed.

The scheme is open to all employees, including executive directors, with three years' service in the Cattles' group at the end of the financial year to which the allocation relates. The actual allocation takes place in the following financial year.

(iv) Pension Arrangements
Executive directors are members of the Cattles Staff Pension Fund which is open to all employees on the same terms. It is a funded, Inland Revenue approved, final salary occupational pension scheme with a contribution rate of five per cent of pensionable salary from the employee. Its main features are:

(a) a normal pension age of 65.
(b) pension at normal pension age of 1/60 of final pensionable salary for each year of pensionable service up to a maximum of 40/60.
(c) life insurance cover of four times pensionable salary.
(d) pension payable in the event of early retirement due to ill health.
(e) spouse's pension on death of member.

Pensionable salary for all members, including executive directors, includes basic salary and annual cash bonuses. The inclusion of annual cash bonuses at every employment level within the group has been a feature of the scheme since its introduction over 20 years ago. This factor is acknowledged by the remuneration committee in determining the respective components and level of executive directors' remuneration and is therefore appropriate to the overall composition of their remuneration packages as currently in place.

(v) Service Contracts
The period of notice to be given by the company to the executive directors for the termination of their service contracts is two years in respect of the chief executive and eighteen months for the other executive directors. The remuneration committee believes that these notice periods are in the best interests of the company and has no current plans to reduce them. The period of notice to be given by each executive director to the company is six months. In the event of a change of control of the company, termination of the contract by either party will result in the payment of compensation equivalent to three years' basic salary together with the cash equivalent of any accrued benefit under the long term share incentive plan.

Directors' Emoluments

	Basic salary	Fees	Annual bonus	Benefits in kind (i)	Total emoluments excluding pension contributions		Pension scheme contributions (ii)		Employee share scheme allocation (iii)	
	£'000	£'000	£'000	£'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Executive										
J. E. G. Cran	128		95	7	230	222	25	18	8	8
G. Clappison	104		77	10	191	185	20	15	8	7
G. R. Dunn	93		68	7	168	158	17	13	8	6
Director who retired in 1995					–	7				
Non-executive										
P. H. Courtney		30			30	30				
B. Cottingham		18			18	12				
N. Lewis		18			18	18				
Total	325	66	240	24	655	632	62	46	24	21

(i) Benefits in kind relate principally to scale benefits for the use of a company car.

(ii) Pension scheme contributions represent the contributions paid by the company into the Cattles Staff Pension Fund, based upon a standard multiple of contributions paid by the employee applicable to all members of the Fund.

(iii) Allocations under the Cattles' Employee Share Schemes represent the market value of shares at the date of appropriation to the trustees on behalf of the directors during the year relating to the allocation from profits of the previous year.

Directors' Shareholdings

The directors named on page 10 were in office for the whole of the financial year. The interests of the directors in the shares of the company, according to the register kept under section 325 of the Companies Act 1985, were as follows:

	24th March 1997		31st December 1996		31st December 1995	
	Beneficial	Non-beneficial as trustee*	Beneficial	Non-beneficial as trustee*	Beneficial	Non-beneficial as trustee*
P. H. Courtney	30,923	340,000	30,923	340,000	30,552	400,000
J. E. G. Cran	36,010	–	36,010	–	32,918	–
G. Clappison	184,727	979,367	184,727	986,559	180,817	1,660,395
G. R. Dunn	174,177	430,265	174,177	431,948	171,248	250,128
B. Cottingham	22,055	340,000	22,055	340,000	20,055	400,000
N. Lewis	24,114	–	24,114	–	23,449	–
	472,006	2,089,632	472,006	2,098,507	459,039	2,710,523
Deduct joint trustee holdings	–	1,110,265	–	1,111,948	–	1,050,128
Total	472,006	979,367	472,006	986,559	459,039	1,660,395

* The non-beneficial holdings are in the capacity of trustees of the Cattles Staff Pension Fund, the Cattle's (Holdings) Employee Share Scheme and the Cattle's Employee Share Scheme 1994, including their own entitlements as members where appropriate. The trustees of the Cattle's (Holdings) Employee Share Scheme and the Cattle's Employee Share Scheme 1994 have made disposals totalling 7,192 shares, on behalf of employees, between 31st December 1996 and 24th March 1997.

Long Term Incentives

(a) **Share Options to Executive Directors**

Ordinary shares under option granted under the Cattle's (Holdings) Executive Share Option Scheme (1985) ('ESOS 85') and the Cattle's Employee Sharesave Scheme ('SS'):

	Option scheme	1st January 1996	Granted during the year	Exercised during the year	31st December 1996	Exercise price	Market price at exercise date	Realised gain on exercise £'000	Date from which exercisable	Expiry date
J. E. G. Cran	ESOS85	128,782	–	–	128,782	69.4p	–	–	29.04.94	29.04.01
	ESOS85	51,544	–	–	51,544	68.0p	–	–	08.10.95	08.10.02
	SS	14,081	–	–	14,081	98.0p	–	–	01.08.98	01.02.99
	SS	2,176	–	–	2,176	158.5p	–	–	01.12.00	01.05.01
G. Clappison	SS	17,602	–	–	17,602	98.0p	–	–	01.08.98	01.02.99
G. R. Dunn	SS	17,602	–	–	17,602	98.0p	–	–	01.08.98	01.02.99
Total		231,787	–	–	231,787			–		

The mid-market price of the company's shares at 31st December 1996 was 266½p and the range during the year was 213½p to 274½p.

(b) **Restricted Share Schemes**

The Restricted Share Schemes were adopted in December 1994 to provide longer term incentives to executive directors and some other key senior executives. Participation in these schemes is as follows:

	Scheme	No. of shares notionally awarded at 1.1.96	Awarded in the year	Vested in the year	Lapsed in the year	Potential interest in shares at 31.12.96	Share price at date of notional award	Amount charged against profits in the year £'000	Earliest vesting date
J. E. G. Cran	1	163,817	–	–	–	163,817	146.5p	120	12.12.97
	2	163,817	–	–	–	163,817	146.5p	80	06.04.98
G. Clappison	1	99,826	–	–	–	99,826	146.5p	73	12.12.97
	2	99,826	–	–	–	99,826	146.5p	49	06.04.98
G. R. Dunn	1	89,587	–	–	–	89,587	146.5p	65	12.12.97
	2	89,587	–	–	–	89,587	146.5p	44	06.04.98
Total – directors		706,460	–	–	–	706,460		431	
Other executives	2	85,322	–	–	–	85,322	146.5p	42	06.04.98
	2	38,860	–	–	–	38,860	193.0p	25	06.04.99
Total		830,642	–	–	–	830,642		498	

The vesting of the shares is contingent upon pre-determined performance criteria being attained over the periods of the schemes, in accordance with the rules of the schemes.

In anticipation of future notional awards, the trust acquired a further 133,079 shares at 263p in December 1996 to add to the 58,018 unallocated shares already held.

On 1st January 1997 notional awards of 178,187 shares were made at a price of 266.5p with an earliest vesting date of April 2000. Of these notional awards 152,437 shares were in respect of directors.

On behalf of the board,

NEIL LEWIS, Chairman of the Remuneration Committee

24th March 1997

PRINCIPAL OPERATING SUBSIDIARY UNDERTAKINGS

REGISTERED IN ENGLAND AND WHOLLY OWNED

Consumer Credit	
Shopacheck Financial Services Ltd	Home collected credit
Ewbanks Mail Order Ltd	Merchandise support for home collected credit
Teleplan Rentals Ltd	Television rental
Shopaplan Ltd	Retailer introduced monthly instalment credit
Welcome Financial Services Ltd	Monthly instalment loans and hire purchase credit
Corporate Services	
Cattles Commercial Finance Ltd	Hire purchase credit
Cattles Commercial Leasing Ltd	Equipment leasing
*Mutual Trust & Savings Ltd	Hire purchase credit and deposit taking
Reedham Factors Ltd	Invoice factoring
Group Services	
Cattles Insurance Services Ltd	Insurance services to the group
Cattles Properties Ltd	Property services to the group

**Authorised institution under the Banking Act 1987.*

Companies which are dormant or whose operations are insignificant have been excluded.

Group Profit and Loss Account

For the year ended 31st December 1996

	Notes	Year ended 31st December 1996 £'000	Year ended 31st December 1995 £'000
TURNOVER	4	**333,187**	294,322
Cost of sales		**232,223**	208,100
Gross profit		**100,964**	86,222
Administrative expenses		**69,125**	59,514
OPERATING PROFIT		**31,839**	26,708
Associated undertaking		**2,025**	1,500
PROFIT BEFORE TAXATION	2, 4	**33,864**	28,208
Taxation	5	**10,774**	9,255
PROFIT AFTER TAXATION	3	**23,090**	18,953
Dividends	6	**11,315**	9,362
RETAINED PROFIT FOR THE YEAR	23	**11,775**	9,591
EARNINGS PER SHARE	10	**17.0p**	14.0p

Statement of Total Recognised Gains and Losses

Profit after taxation	**23,090**	18,953
Unrealised loss on revaluation of properties	**–**	(772)
Total recognised gains and losses for the year	**23,090**	18,181

Note of Historical Cost Profits and Losses

Profit on ordinary activities before taxation	**33,864**	28,208
Realisation of property revaluation surpluses of prior years	**–**	104
Historical cost profit on ordinary activities before taxation	**33,864**	28,312
Historical cost profit on ordinary activities after taxation and dividends	**11,775**	9,695

The notes on pages 26 to 40 form part of these accounts

GROUP BALANCE SHEET

AS AT 31ST DECEMBER 1996

	Notes	31st December 1996 £'000	31st December 1995 £'000
FIXED ASSETS			
Tangible assets	14	**17,708**	15,768
Investments	12	**7,363**	6,546
Own shares held	13	**1,682**	1,330
		26,753	23,644
CURRENT ASSETS			
Customers' accounts receivable:			
Amounts falling due after one year		**76,301**	63,719
Amounts falling due within one year		**186,960**	162,544
	15	**263,261**	226,263
Less: Deferred revenue		**42,255**	36,718
		221,006	189,545
Stocks	17	**851**	1,049
Debtors – amounts falling due after one year	16	**8,210**	9,023
Debtors – amounts falling due within one year	16	**5,832**	6,776
Cash at bank and in hand		**5,247**	5,014
		241,146	211,407
Creditors – amounts falling due within one year	18	**54,868**	45,979
NET CURRENT ASSETS		**186,278**	165,428
TOTAL ASSETS LESS CURRENT LIABILITIES		**213,031**	189,072
Creditors – amounts falling due after one year	18	**141,612**	126,564
NET ASSETS	4	**71,419**	62,508
CAPITAL AND RESERVES			
Called up share capital	20	**13,726**	13,677
Share premium account	21	**11,537**	10,600
Reserves	22	**2,142**	3,845
Profit and loss account	23	**44,014**	34,386
SHAREHOLDERS' FUNDS	24	**71,419**	62,508

Approved by the board on 24th March 1997

Signed
Peter H. Courtney
J. Edward G. Cran } *Directors*
Grant Clappison

The notes on pages 26 to 40 form part of these accounts

Company Balance Sheet

As at 31st December 1996

	Notes	31st December 1996 £'000	31st December 1995 £'000
FIXED ASSETS			
Tangible assets	14	1,713	1,176
Investment in subsidiary undertakings	11	50,524	47,984
Investments	12	4,079	4,079
Own shares held	13	1,682	1,330
		57,998	54,569
CURRENT ASSETS			
Debtors – amounts falling due after one year	16	8,210	9,023
Debtors – amounts falling due within one year	16	173,989	154,065
Cash in hand		2	3
		182,201	163,091
Creditors – amounts falling due within one year	18	31,240	24,983
NET CURRENT ASSETS		150,961	138,108
TOTAL ASSETS LESS CURRENT LIABILITIES		208,959	192,677
Creditors – amounts falling due after one year	18	140,531	125,488
		68,428	67,189
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation		107	–
NET ASSETS		68,321	67,189
CAPITAL AND RESERVES			
Called up share capital	20	13,726	13,677
Share premium account	21	11,537	10,600
Reserves	22	37,939	37,939
Profit and loss account	23	5,119	4,973
		68,321	67,189

Approved by the board on 24th March 1997

Signed

Peter H. Courtney
J. Edward G. Cran
Grant Clappison

} *Directors*

The notes on pages 26 to 40 form part of these accounts

Group Cash Flow Statement

For the year ended 31st December 1996

	Notes		Year ended 31st December 1996 £'000		Year ended 31st December 1995 £'000
CASH FLOW FROM OPERATING ACTIVITIES	26		8,005		(2,285)
RETURNS ON INVESTMENT	27		512		416
TAXATION			(7,192)		(7,813)
CAPITAL EXPENDITURE	27		(5,300)		(2,356)
ACQUISITIONS AND DISPOSALS	25, 27		(3,092)		(5,537)
EQUITY DIVIDENDS PAID			(9,521)		(7,859)
Cash outflow before use of liquid resources and financing			(16,588)		(25,434)
FINANCING – Issue of shares		638		849	
– Purchase of own shares		(352)		(76)	
– Decrease in debt		(532)		(2,865)	
	27		(246)		(2,092)
DECREASE IN CASH IN THE PERIOD			(16,834)		(27,526)

	Notes	1996 £'000	1995 £'000
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	28		
Decrease in cash in the period		(16,834)	(27,526)
Cash outflow from decrease in debt and lease financing		532	2,865
Movement in net debt in the period resulting from cash flows		(16,302)	(24,661)
Net debt at 1st January 1996		(129,655)	(104,994)
Net debt at 31st December 1996		(145,957)	(129,655)

1995 comparatives have been restated to reflect the requirements of FRS 1 (revised)

The notes on pages 26 to 40 form part of these accounts

NOTES ON THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

1 ACCOUNTING POLICIES

(a) **Accounting convention**
The accounts are prepared in accordance with applicable accounting standards under the historical cost convention, modified to include the revaluation of freehold and long leasehold properties, and in compliance with the disclosure requirements of Chapter 1 of part VII of the Companies Act 1985.

(b) **Basis of consolidation**
The group profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to the end of the financial period and incorporate the group's interest in associated undertakings. The results of subsidiary undertakings and associated undertakings acquired or disposed of during the year are included in the group profit and loss account from the date of their acquisition or up to the date of their disposal.

(c) **Goodwill**
Goodwill arising on the acquisition of subsidiary undertakings and trading assets is brought in at cost and is offset firstly against negative goodwill arising during the year on similar acquisitions, secondly against available reserves and thereafter against retained profits brought forward.

(d) **Turnover**
Turnover is exclusive of value added tax and, where practicable, transactions financed within the group and comprises:

Instalment credit agreements:	Gross amount received or receivable, including the principal sum advanced.
Goods and services:	Gross amounts of goods or services supplied.
Finance leases:	Rentals receivable during the year.
Factoring:	Interest and charges receivable on debts factored.

(e) **Pension funding**
The group operates a defined benefit pension scheme for employees, 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.

Payments made to personal pension policies of certain employees, which were in place at the date of acquisition of their employing company, are charged to the profit and loss account in the year of payment.

(f) **Deferred revenue**
Deferred revenue comprises the proportion of the gross revenue included in customers' accounts receivable remaining after crediting to the profit and loss account an initial amount, mainly to cover costs associated with the setting up of the transaction, which is carried forward into future periods. The amount carried forward is calculated to adequately cover future collecting and financing costs and 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 or effective term of the agreement.

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

(h) **Deferred taxation**
Deferred taxation represents so much of the timing differences at the current rate of corporation tax between profits as computed for taxation purposes and profits as stated in the accounts, which, in the opinion of the directors, may result in a corporation tax liability or benefit in the foreseeable future. It is shown in the balance sheet after adjusting for any unrelieved advance corporation tax paid and payable in respect of dividends paid and proposed, which is available for set off against future taxation liabilities.

(i) **Stocks**
Stocks are valued at the lower of cost and net realisable value.

1 ACCOUNTING POLICIES continued

(j) **Fixed asset investments**

Fixed asset investments are included at cost, plus for the group its share of retained post-acquisition profits in respect of investments in associated undertakings, unless, in the opinion of the directors, a lower market value is likely to be permanent, in which case the deficiency is provided for.

(k) **Tangible fixed assets and depreciation**

Depreciation is not provided on freehold and long leasehold land and buildings. It is the policy of the group to maintain its properties in good condition by a regular programme of maintenance and repair, the cost of which is charged to the profit and loss account in the year in which the expenditure is incurred. It is considered that this policy extends the useful life of the properties and as a result any depreciation would not be material. If, in the opinion of the directors, after taking appropriate professional advice, any surplus properties held for sale are expected to realise materially less than their book value, provision is made for the anticipated shortfall. Depreciation on all other tangible fixed assets is calculated on a straight line basis by reference to the expected life and residual value of the assets concerned at the following principal rates:

Short leasehold expenditure	5% to 20% per annum
Fixtures and equipment	10% to 20% per annum
Motor vehicles	25% per annum
Televisions held for rental	20% per annum

(l) **Leasing**

Assets held for use in operating leases are recorded as fixed assets. Rental income is recognised on a straight line basis over the period of the lease.

The amounts due from lessees under finance leases are recorded as customers' accounts receivable at the amount of the net investment in the lease. The total gross earnings are allocated to accounting periods to give a constant periodic rate of return on the net cash investment in each period.

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 PROFIT BEFORE TAXATION

The profit before taxation for the year is stated after charging/(crediting):	1996 £'000	1995 £'000
Interest on bank and other short term borrowings (in cost of sales)	9,802	7,629
Depreciation – on tangible fixed assets held under finance leases and hire purchase contracts	263	344
– on other tangible fixed assets	3,460	3,247
Profit on disposal of tangible fixed assets	(116)	(196)
Operating lease rentals – land and buildings	1,213	1,266
Finance lease charges	90	137
Other operating lease rentals	44	89
Hire of equipment	3	2
Auditors' remuneration – as auditors	132	153
– for other services	64	26
Directors' emoluments (note 7)	717	678
Pensions to former directors	25	45
Allocations to employee share incentive schemes	1,058	973
Note: Auditors' remuneration for other services not charged to the profit and loss account	–	10

3 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

The group profit includes £11,461,000 (1995: £9,112,000) dealt with in the accounts of the company, and £1,329,000 (1995: £954,000) dealt with in the accounts of the associated undertaking. In accordance with section 230 of the Companies Act 1985, the holding company is not required to present a separate profit and loss account.

4 SEGMENTAL ANALYSIS

	1996 Turnover £'000	1996 Profit before taxation £'000	1996 Net assets £'000	1995 Turnover £'000	1995 Profit before taxation £'000	1995 Net assets £'000
Consumer credit	315,843	29,997	40,378	278,795	25,125	32,408
Corporate services	17,238	3,071	6,466	15,388	2,916	5,233
	333,081	33,068	46,844	294,183	28,041	37,641
Group costs and services	106	(1,229)	17,212	139	(1,333)	18,321
	333,187	31,839	64,056	294,322	26,708	55,962
Associated undertaking		2,025	7,363		1,500	6,546
		33,864	71,419		28,208	62,508

Profit before taxation in the consumer credit and corporate services divisions is analysed by operating unit as follows:	1996 £'000	1995 £'000
Shopacheck Financial Services	22,792	20,515
Shopaplan*	556	*
Welcome Financial Services	6,649	4,610
Cattles Commercial Finance	1,130	1,239
Reedham Factors	1,941	1,677
	33,068	28,041

*Until 1st January 1996 Shopaplan was an integral business within Shopacheck Financial Services.

The company and its subsidiary undertakings operate wholly in the United Kingdom and the above results derive wholly from continuing operations.

5 TAXATION

The charge for taxation based on the profit for the year was as follows:	1996 £'000	1995 £'000
UK corporation tax at 33% (1995: 33%)	10,008	8,099
Transfer (from)/to deferred taxation	(26)	110
Corporation tax attributable to share of associated undertaking profit	696	546
Amount attributable to goodwill	212	539
	10,890	9,294
Adjustments in respect of previous years:		
Corporation tax	(142)	71
Deferred taxation	26	(110)
	10,774	9,255

As a result of timing differences not provided through the deferred taxation account, the charge for the year was decreased by £510,000 (1995: £87,000).

The provision for deferred taxation made in the accounts and the full potential liability/(asset) in respect of timing differences were as follows:

	Provision		Potential	
Group	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Capital allowances	489	460	(47)	(174)
Revaluation surplus and rollover relief	–	–	114	116
Other timing differences	(489)	(460)	(225)	(624)
	–	–	(158)	(682)
Company				
Capital allowances	85	49	85	49
Other timing differences	22	(49)	22	(471)
	107	–	107	(422)

6 DIVIDENDS

The following dividends have been paid or are proposed in respect of the year:	1996 £'000	1995 £'000
Interim 2.8p per share (1995: 2.45p) paid 4th November 1996	3,822	3,315
Proposed final 5.5p per share (1995: 4.45p) payable 27th May 1997	7,493	6,047
	11,315	9,362

Dividends of £81,000 (1995: £60,000) have been waived by the trustee of the Employee Benefit Trust in respect of those shares held under the Restricted Share Schemes.

NOTES ON THE ACCOUNTS

7 DIRECTORS' EMOLUMENTS

Directors' emoluments (including pension contributions) were:	1996 £'000	1995 £'000
Basic salaries	325	314
Fees to non-executive directors	66	67
Performance related annual bonuses	240	230
Benefits	24	21
Pension contributions	62	46
	717	678

More detailed information on each director's emoluments, including share schemes, shareholdings and options in shares, is shown in the Report of the Remuneration Committee on pages 16 to 20.

8 EMPLOYEES

Staff costs, including directors, were:	1996 £'000	1995 £'000
Wages and salaries	20,920	18,723
Social security costs	1,755	1,498
Cattles pension scheme costs (note 9)	1,049	829
Other pension costs	190	193
Allocations to share incentive schemes	1,058	973
	24,972	22,216

The average weekly number of persons employed by the group during the year was 1,913 (1995: 1,764).

9 PENSION COSTS

The group operates a defined benefit pension scheme for employees. 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 a qualified actuary using the projected unit method.

Actuarial valuations are normally carried out triennially, the most recent valuation being as at 31st March 1995. At the date of the latest actuarial valuation the market value of the assets of the scheme was £13,938,000. The actuarial value of the assets represented 94 per cent of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings. The assumptions, relative to price inflation, which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of increase in earnings and the rate of dividend growth. It was assumed that the investment return would exceed price inflation by 4.5 per cent per annum, that salary increases would exceed price inflation by 2 per cent per annum and that the annual rate of dividend growth would rise in line with price inflation. The same actuarial assumptions have been adopted to determine the group's Pension Cost.

On this basis the funding shortfall disclosed has been spread over the average expected future working lives of scheme members.

The group charge for Pension Cost for the year for this scheme was £1,110,000 (1995: £935,000).

The group's contributions in the year, together with the excess brought forward from the previous year of £92,000, exceeded the Pension Cost by £31,000. No provision has been made in these accounts for this credit and the group's pension contribution set out in note 8 in respect of this scheme is equal to the actual contributions paid.

10 EARNINGS PER SHARE

Basic earnings per share are calculated on the profit after taxation of £23,090,000 (1995: £18,953,000) and the weighted average number of shares in issue, excluding those where dividends have been waived, during the year of 136,142,000 (1995: 135,258,000).

The potential dilution of earnings would be negligible in the event of the exercise of outstanding share options.

11 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The investment by the parent company is represented by shares in subsidiary undertakings, all of which are registered in the United Kingdom, wholly owned and included at cost, or such lower amount reflecting, in the directors' opinion, a permanent diminution in the holding value.

	£'000
Shares at cost:	
At 1st January 1996	50,098
Additions	2,540
At 31st December 1996	52,638
Provision for diminution in value:	
At 1st January 1996 and 31st December 1996	(2,114)
Net book value at 31st December 1996	50,524
Net book value at 31st December 1995	47,984

12 FIXED ASSET INVESTMENTS

Fixed asset investments by the group and the company represent an investment in an associated undertaking which is included at cost, plus, for the group, attributable share of retained profit.

The market value of the investment, which is listed on the London Stock Exchange, at 31st December 1996 was £26,558,000 (1995: £16,136,000). If the investment had been realised at the balance sheet date at the market value, the consequent taxation liability has been estimated at £7.3 million (1995: £3.1 million).

Associated undertaking	Rosebys PLC
Country of incorporation	England
Principal area of operation	United Kingdom
Total issued share capital at 31st December 1996	32,609,670 ordinary shares of 25p
Percentage of total shares held	25.8 per cent
Share of results based on accounts to	31st December 1996
Nature of business	Retailer of household textiles

	1996 £'000	1995 £'000
Profit after taxation and minority interests	4,666	2,496
Dividends received during the year	512	416
Share of profit retained	817	538
Share capital and reserves	28,134	19,650
Share of net assets	7,259	6,976

Until 2nd March 1992 the associated undertaking was a wholly owned subsidiary undertaking at which date it obtained a separate listing on the London Stock Exchange. The percentage of total shares held was reduced from 35.5 per cent as at 31st December 1995 to 25.8 per cent as at 31st December 1996 as a result of shares issued by Rosebys PLC in respect of the acquisition of certain businesses and trading assets during the year, together with shares issued in respect of the exercise of options and share scheme allocations.

13 OWN SHARES HELD

Own shares held represent the cost of shares in the company held by the trustee of the Employee Benefit Trust in respect of the Restricted Share Schemes and are disclosed as a fixed asset investment in accordance with Urgent Issues Task Force Abstract No. 13 (Accounting for ESOP Trusts).

Information in respect of these schemes, together with details of conditional awards of shares under the schemes, is shown in the Report of the Remuneration Committee on pages 16 to 20.

As at 31st December 1996 the Trust held 1,021,739 shares (1995: 888,660 shares) with a market value of £2,723,000 (1995: £1,897,000).

All costs relating to the schemes are dealt with in the profit and loss account as they accrue and the Trust has waived the right to receive dividends of over and above 0.01p per share on all shares held.

14 TANGIBLE FIXED ASSETS

Group	Total £'000	Freehold land and buildings £'000	Leasehold land and buildings long £'000	Leasehold land and buildings short £'000	Fixtures equipment and motor vehicles £'000	Assets held for rental £'000
Cost or valuation at 31st December 1995	27,131	4,815	557	1,817	16,831	3,111
Additions	6,540	159	–	395	4,996	990
Arising on acquisitions	247	–	–	–	40	207
Eliminated in respect of disposals	(4,355)	(128)	–	(14)	(3,662)	(551)
Cost or valuation at 31st December 1996	**29,563**	**4,846**	**557**	**2,198**	**18,205**	**3,757**
Depreciation at 31st December 1995	11,363	–	–	1,031	8,222	2,110
Amount provided this year	3,723	–	–	250	3,125	348
Eliminated in respect of disposals	(3,231)	–	–	(14)	(2,818)	(399)
Depreciation at 31st December 1996	**11,855**	–	–	**1,267**	**8,529**	**2,059**
Net book amount at 31st December 1996	**17,708**	**4,846**	**557**	**931**	**9,676**	**1,698**
Net book amount at 31st December 1995	15,768	4,815	557	786	8,609	1,001
Held under finance leases and hire purchase contracts:						
Net book amount at 31st December 1996	**384**	–	–	–	**384**	–
Net book amount at 31st December 1995	766	–	–	–	766	–
Historical cost of revalued assets:						
As at 31st December 1996	**5,074**	**4,265**	**773**	**36**		
As at 31st December 1995	5,232	4,423	773	36		
Company						
Cost or valuation at 31st December 1995	1,776	605	–	–	1,171	–
Additions	934	–	–	228	706	–
Group transfers	(367)	20	–	–	(387)	–
Eliminated in respect of disposals	(341)	–	–	–	(341)	–
Cost or valuation at 31st December 1996	**2,002**	**625**	–	**228**	**1,149**	–
Depreciation at 31st December 1995	600	–	–	–	600	–
Amount provided this year	142	–	–	3	139	–
Group transfers	(164)	–	–	–	(164)	–
Eliminated in respect of disposals	(289)	–	–	–	(289)	–
Depreciation at 31st December 1996	**289**	–	–	**3**	**286**	–
Net book amount at 31st December 1996	**1,713**	**625**	–	**225**	**863**	–
Net book amount at 31st December 1995	1,176	605	–	–	571	–
Historical cost of revalued assets:						
As at 31st December 1996	**1,179**	**1,179**				
As at 31st December 1995	1,158	1,158				

14 TANGIBLE FIXED ASSETS (continued)

Tangible fixed assets include valuations as follows:

Group	Total £'000	1995 £'000	1984 £'000	1978 £'000
Freehold land and buildings	4,688	4,688	–	–
Long leasehold land and buildings	557	557	–	–
Short leasehold land and buildings	45	–	25	20
Company				
Freehold land and buildings	625	625	–	–

15 CUSTOMERS' ACCOUNTS RECEIVABLE

Gross customers' accounts receivable were in respect of:	1996 £'000	1995 £'000
Hire purchase contracts	74,967	57,496
Other instalment credit agreements	182,574	166,584
Finance leases	9,312	8,123
Factoring debts	12,126	8,501
	278,979	240,704
Less: Provision for bad and doubtful debts	15,718	14,441
	263,261	226,263
Customers' accounts receivable, after deducting provisions for bad and doubtful debts, is analysed by operating unit as follows:		
Shopacheck Financial Services	104,188	96,163
Shopaplan	20,635	20,374
Welcome Financial Services	108,305	84,240
Cattles Commercial Finance	18,258	17,139
Reedham Factors	11,875	8,347
	263,261	226,263
The charge for bad and doubtful debts in the profit and loss account is analysed as follows:		
Consumer credit	11,734	8,096
Corporate services	383	136
	12,117	8,232
The aggregate instalments and rentals receivable during the year were:		
In respect of hire purchase contracts	39,946	35,089
In respect of finance leases	5,507	5,061
In respect of operating leases	1,325	1,358
The costs of assets acquired during the year were:		
For the purpose of hire purchase contracts	45,210	29,494
For letting under finance leases	6,340	6,378

16 DEBTORS

Amounts falling due within one year:	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Trade debtors	1,681	1,226	–	–
Amounts due from subsidiary undertakings	–	–	170,100	149,199
Other debtors	335	425	128	251
Prepayments and accrued income	3,816	3,625	2,996	2,741
Advance corporation tax recoverable	–	1,500	765	1,874
	5,832	6,776	173,989	154,065
Amounts falling due after one year:				
Prepayments and accrued income	6,337	7,511	6,337	7,511
Advance corporation tax recoverable	1,873	1,512	1,873	1,512
	8,210	9,023	8,210	9,023

17 STOCKS

Stocks comprise finished goods bought in for resale.

18 CREDITORS

Amounts falling due within one year:	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Debenture loans (note i)	108	300	108	300
Deposit accounts (note ii)	2,519	1,944	–	–
Bank borrowings (note 19)	8,686	10,194	9,194	10,194
Obligations under finance leases and hire purchase contracts	345	365	–	–
Trade creditors	9,458	8,795	118	76
Amounts owing to subsidiary undertakings	–	–	4,405	4,873
Corporation tax	7,503	5,010	–	–
Advance corporation tax	4,325	5,283	2,625	2,283
Other taxes and social security	1,921	1,887	58	22
Deferred purchase consideration	6,000	–	6,000	–
Other creditors	675	342	560	124
Accruals	5,835	5,812	679	1,064
Dividends	7,493	6,047	7,493	6,047
	54,868	45,979	31,240	24,983
Amounts falling due after one year:				
Bank borrowings (note 19)	139,500	121,500	139,500	121,500
Obligations under finance leases and hire purchase contracts (due between 1 and 5 years)	46	366	–	–
Other taxes and social security	456	255	45	–
Employee benefit trust	986	488	986	488
Deferred purchase consideration	–	3,500	–	3,500
Accruals	624	455	–	–
	141,612	126,564	140,531	125,488

(i) Debenture loans represent 6 per cent unsecured loan notes redeemable at par after 30th June 1996. Debenture loans totalling £192,000 were redeemed at par in July 1996.

(ii) The deposit accounts are subject to repayment on notice of withdrawal, varying from the day of demand up to six months.

19 BANK FACILITIES, BANK BORROWINGS AND FINANCIAL INSTRUMENTS

The bank facilities available to the group at 31st December 1996 were:

£13.0 million short term overdraft facilities renewable annually
£105.0 million syndicated facility, maturing August 2000 with an option to extend to August 2001
£122.0 million syndicated facility, maturing October 2001 with options to extend to October 2002 and thereafter to October 2003.

Utilisation from each syndicated facility is by money market renewable term loans or acceptances which are rolled over in one year or less and priced at a fixed margin over floating rate LIBOR, as pre-determined by each facility agreement.

The earliest maturity of bank borrowings as at 31st December 1996 is:

	Facility £'000	Borrowings £'000
Within one year	13,000	8,686
Over one year and up to two years	–	–
Over two years and up to three years	–	–
Over three years and up to four years	105,000	61,500
Over four years and up to five years	122,000	78,000
	240,000	148,186

The cost of any premium paid for the purchase of an interest rate cap is amortised on a straight line basis over the life of the contract and reflected in the profit and loss account in the total charge for interest on borrowings. As existing positions mature, or as current and projected borrowings change, new arrangements are considered.

At 31st December 1996 the notional principal amount of interest rate instruments held was £132.5 million. In addition, a further £30 million had been contracted for on a forward start basis to become effective on various dates between January 1997 and December 1998.

Hedging arrangements contracted for at 31st December 1996 and effective at the commencement of each financial year and their effective base rate equivalent in the event that actual bank base rates are 6, 8, 10 or above 10 per cent are as follows:

As at 1st January	Notional principal amount £'000	Effective rate at Bank Base Rates of 6%	8%	10%	Above 10%
1997	132,500	7.3%	7.9%	8.1%	8.1%
1998	132,500	7.3%	7.9%	8.1%	8.1%
1999	150,000	7.3%	8.1%	8.2%	8.2%
2000	135,000	7.2%	8.1%	8.3%	8.3%
2001	65,000	7.1%	8.3%	8.3%	8.3%
2002	35,000	7.4%	8.0%	8.0%	8.0%

The policy of the company regarding the use of financial instruments is set out in the Report of the Directors on page 11.

20 SHARE CAPITAL

	Number	£'000
Authorised: Ordinary shares of 10p each	200,000,000	20,000
Allotted, called up and fully paid:		
As at 31st December 1995	136,768,286	13,677
Exercise of options	172,098	17
Employee share incentive scheme allocation	183,083	18
Scrip dividends	135,731	14
As at 31st December 1996	137,259,198	13,726

Outstanding options under the Cattle's (Holdings) Executive Share Option Scheme (1985) ('ESOS 85'), the Cattle's Executive Share Option Scheme (1994) ('ESOS 94') the Cattle's Executive Share Option Scheme 1996 ('ESOS 96') and the Cattle's Employee Sharesave Scheme ('SS') at 31st December 1996 were as follows:

Option scheme	Date granted	As at 1.1.96	Granted in year	Exercised in year	Lapsed in year	As at 31.12.96	Exercise price	Date from which exercisable	Expiry date
ESOS 85	29.04.91	128,782	–	–	–	128,782	69.4p	29.04.94	29.04.01
ESOS 85	08.10.92	175,248	–	123,704	–	51,544	68.0p	08.10.95	08.10.02
ESOS 85	06.10.93	30,918	–	30,918	–	–	137.3p	06.10.96	06.10.03
ESOS 85	06.10.93	30,918	–	–	–	30,918	137.3p	31.03.94	06.04.97
		365,866	–	154,622	–	211,244			
ESOS 94	25.04.95	170,000	–	–	–	170,000	160.5p	25.04.98	25.04.05
ESOS 94	11.10.95	60,000	–	–	–	60,000	193.9p	11.10.98	11.10.05
ESOS 94	01.05.96	–	217,000	–	–	217,000	261.3p	01.05.99	01.05.06
ESOS 94	03.10.96	–	11,000	–	–	11,000	262.5p	03.10.99	03.10.06
		230,000	228,000	–	–	458,000			
ESOS 96	16.05.96	–	63,000	–	–	63,000	268.9p	16.05.99	16.05.06
ESOS 96	04.10.96	–	9,000	–	–	9,000	263.4p	04.10.99	04.10.06
		–	72,000	–	–	72,000			
SS	02.07.93	758,655	–	17,476	30,046	711,133	98.0p	01.08.98	01.02.99
SS	16.10.95	530,178	–	–	40,032	490,146	158.5p	01.12.00	01.05.01
		1,288,833	–	17,476	70,078	1,201,279			
Total		1,884,699	300,000	172,098	70,078	1,942,523			

The following share options have been exercised between 31st December 1996 and 24th March 1997:

Option Scheme	Date	Number	Exercise Price
SS	4.3.97	678	98.0p
SS	4.3.97	89	158.5p
SS	12.3.97	12,312	98.0p
ESOS 85	10.3.97	30,918	137.3p

Details of the directors' interests in share options and the issued shares of the company are shown in the Report of the Remuneration Committee on pages 16 to 20.

21 SHARE PREMIUM ACCOUNT

	Group and Company £'000
As at 31st December 1995	10,600
Premium on shares issued in respect of option schemes	126
Premium on shares issued in respect of employee share incentive schemes	482
Premium on scrip dividends	334
Expenses relating to the issues of new shares	(5)
As at 31st December 1996	11,537

22 RESERVES

	Group £'000	Company £'000
Capital reduction reserve:		
As at 31st December 1995 and 31st December 1996	–	8,840
Merger reserve:		
As at 31st December 1995 and 31st December 1996	1,799	3,099
Special reserve:		
As at 31st December 1995	1,703	26,000
Goodwill arising on contingent deferred consideration	(1,703)	–
As at 31st December 1996	–	26,000
Revaluation reserve:		
As at 31st December 1995 and 31st December 1996	343	–
Total reserves as at 31st December 1996	2,142	37,939

23 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
As at 31st December 1995	34,386	4,973
Goodwill arising on acquisitions	(2,147)	–
Retained profit for the year	11,775	146
As at 31st December 1996	44,014	5,119

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
Profit for the financial year after taxation	23,090	18,953
Dividends	(11,315)	(9,362)
Other recognised gains and losses relating to the year	–	(772)
New share capital issued	986	1,161
Goodwill written off during the year	(3,850)	(1,264)
	8,911	8,716
Shareholders' funds as at 1st January	62,508	53,792
Shareholders' funds as at 31st December	71,419	62,508

25 ANALYSIS OF CASH FLOW FOR ACQUISITIONS OF BUSINESSES AND SUBSIDIARY UNDERTAKINGS

	Acquisitions 1996 £'000	1995 £'000
Tangible fixed assets	247	670
Customers' accounts receivable	1,652	3,992
Deferred revenue	(369)	(928)
Taxation	212	539
	1,742	4,273
Goodwill	1,350	1,264
	3,092	5,537
Satisfied by:		
Cash consideration	3,092	5,537

26 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1996 £'000	1995 £'000
Operating profit	31,839	26,708
Depreciation charges	3,723	3,591
Profit on disposal of tangible fixed assets	(116)	(196)
Decrease/(increase) in stocks	198	(93)
Increase in debtors and customers' accounts receivable	(29,560)	(34,734)
Increase in creditors	1,921	2,439
Net cash inflow/(outflow) from operating activities	8,005	(2,285)

27 ANALYSIS OF CASH FLOWS FOR HEADINGS IN THE CASH FLOW STATEMENT

	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Returns on investment				
Dividend from associated undertaking		512		416
Capital expenditure				
Purchase of tangible fixed assets	(6,540)		(3,680)	
Sale of tangible fixed assets	1,240		1,324	
Net cash outflow for capital expenditure		(5,300)		(2,356)
Acquisitions and disposals				
Purchase of businesses and subsidiary undertakings		(3,092)		(5,537)
Financing				
Issue of ordinary share capital		643		869
Expenses of share capital issues		(5)		(20)
Purchase of own shares		(352)		(76)
Debenture loan repayments	(192)		(2,640)	
Capital element of finance lease rental payments	(340)		(225)	
		(532)		(2,865)
Net cash outflow from financing		(246)		(2,092)

28 ANALYSIS OF NET DEBT

	1st January 1996 £'000	Cash flow £'000	31st December 1996 £'000
Cash in hand, at bank	5,014	233	5,247
Overdrafts	(10,194)	1,508	(8,686)
		1,741	
Debt due after one year	(121,500)	(18,000)	(139,500)
Debt due within one year	(1,944)	(575)	(2,519)
Debenture loans	(300)	192	(108)
Finance leases	(731)	340	(391)
		(18,043)	
	(129,655)	(16,302)	(145,957)

	1st January 1995 £'000	Cash flow £'000	31st December 1995 £'000
Cash in hand, at bank	3,926	1,088	5,014
Overdrafts	(14,444)	4,250	(10,194)
		5,338	
Debt due after one year	(88,700)	(32,800)	(121,500)
Debt due within one year	(1,880)	(64)	(1,944)
Debenture loans	(2,940)	2,640	(300)
Finance leases	(956)	225	(731)
		(29,999)	
	(104,994)	(24,661)	(129,655)

29 GOODWILL

During the year the group made acquisitions, none of which was individually significant:

	1996 £'000	1995 £'000
Tangible fixed assets	247	670
Customers' accounts receivable and debtors	1,652	3,992
Other current assets less liabilities and provisions	(369)	(928)
Accounting policy alignment (note i)	212	539
Net assets	1,742	4,273
Consideration:		
Cash	3,092	5,537
Goodwill	1,350	1,264
Additional contingent deferred consideration in respect of acquisition in 1994	2,500	–
Less transfer to special reserve (note 22)	(1,703)	–
To profit and loss account (note 23)	2,147	1,264

(i) The accounting policy alignment is in respect of the re-statement of customers' accounts receivable to the group basis, after taxation.

In the opinion of the directors the book values of the assets acquired did not differ materially from their fair values.

Cumulative goodwill, excluding subsequent disposals, written off against reserves since 1st January 1989 amounted to £41,173,000. The directors do not consider it practicable to extract information in respect of earlier periods.

30 OPERATING LEASE OBLIGATIONS

At 31st December 1996 the group had the following commitments for the year ending 31st December 1997 in respect of operating leases, relating to land and buildings, which expire:	1996 £'000	1995 £'000
Within one year	108	103
In two to five years	310	371
After five years	840	660
	1,258	1,134

31 CAPITAL COMMITMENTS

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Capital expenditure authorised and contracted for, but not provided in these accounts	152	730	–	11
Capital expenditure authorised, but not contracted for	1,703	323	–	–
	1,855	1,053	–	11

32 CONTINGENT LIABILITIES

The group has assigned leases in respect of which it could become liable for future rentals on the default of the assignees. The maximum liability under these arrangements is £854,000.

The company remains as guarantor of a proportion of the leases of properties held and utilised by Rosebys PLC entered into when that company was a wholly owned subsidiary undertaking. The maximum liability under these guarantees amounts to £4,862,000.

REPORT OF THE AUDITORS

TO THE MEMBERS OF CATTLES plc

We have audited the financial statements on pages 22 to 40 (including the additional disclosures on pages 16 to 20 relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 26 and 27.

Respective responsibilities of directors and auditors

As described on page 13 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements, and to report our opinion to you.

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 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 affairs of the company and of the group as at 31st December 1996, and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE,
Chartered Accountants and
Registered Auditors,
9 Bond Court,
Leeds LS1 2SN

24th March 1997

FIVE YEAR SUMMARY

Year ended 31st December:	1996 £'000	1995 £'000	1994 £'000	1993 £'000	As originally reported 1992 £'000
	Reported under FRS3				
TRADING RESULTS					
Turnover	333,187	294,322	230,144	217,150	217,786
Profit before exceptional items	33,864	28,208	19,844	15,837	12,273
Exceptional (loss)/profit	–	–	(3,188)	–	1,406
Profit before taxation	33,864	28,208	16,656	15,837	13,679
Taxation	(10,774)	(9,255)	(6,448)	(5,054)	(3,808)
Available group profit	23,090	18,953	10,208	10,783	9,871
Dividends	11,315	9,362	7,243	5,534	5,181
Retained profit	11,775	9,591	2,965	5,249	4,690
NET FUNDS EMPLOYED					
Tangible fixed assets	17,708	15,768	16,909	16,008	16,150
Investments	7,363	6,546	6,008	5,642	5,130
Own shares held	1,682	1,330	1,254	–	–
Current assets	241,146	211,407	170,629	106,824	109,451
	267,899	235,051	194,800	128,474	130,731
Current liabilities	54,868	45,979	47,934	40,778	39,405
Total assets less current liabilities	213,031	189,072	146,866	87,696	91,326
Creditors – due after one year	141,612	126,564	93,074	43,400	52,500
NET ASSETS	71,419	62,508	53,792	44,296	38,826
CAPITAL AND RESERVES					
Called up share capital	13,726	13,677	13,574	11,070	11,021
Share premium account	11,537	10,600	9,542	9,586	9,102
Reserves	2,142	3,845	4,157	2,460	2,482
Profit and loss account	44,014	34,386	26,519	21,180	16,221
SHAREHOLDERS' FUNDS	71,419	62,508	53,792	44,296	38,826
EARNINGS PER SHARE					
– basic	17.0p	14.0p	8.7p	9.5p	8.7p
– before exceptional items			11.3p		7.6p

NOTICE OF MEETING

Notice is hereby given that the forty-second annual general meeting of Cattles plc will be held at the Leeds Marriott Hotel, 4 Trevelyan Square, Boar Lane, Leeds, on Thursday 8th May 1997 at 12.00 noon for the following purposes:

1 To receive the directors' report and audited accounts in respect of the year ended 31st December 1996. (Resolution 1)

2 To declare the proposed final dividend. (Resolution 2)

3 To elect directors.
The following directors, retiring by rotation, will be proposed for re-election:
G. Clappison (Resolution 3(a))
N. Lewis (Resolution 3(b))

4 To re-appoint Price Waterhouse as auditors to the company in accordance with section 385 of the Companies Act 1985 and to authorise the board of directors to determine their remuneration for the ensuing year. (Resolution 4)

SPECIAL BUSINESS
To consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an ORDINARY RESOLUTION and Resolution 6 will be proposed as a SPECIAL RESOLUTION:

5 "That:

(a) for the purposes of Section 80 of the Companies Act 1985 the directors of the company be and they are hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £4.575,306 such authority to expire on the conclusion of the annual general meeting of the company in 2002 (or, if sooner, 7th May, 2002) but to be capable of previous revocation or variation by the company in general meeting and of renewal from time to time by the company in general meeting for a further period not exceeding five years;

(b) the company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors of the company may allot relevant securities in pursuance of any such offer or agreement up to the maximum amount permitted by this resolution as if this authority had not expired; and

(c) the authorities conferred by the resolution numbered 5 passed at the annual general meeting of the company held on 13th May 1993 and the resolution numbered 2 passed at the extraordinary general meeting held on 21st October 1994 be and are hereby revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this resolution". (Resolution 5)

6 "That:

(a) subject to and conditional upon the passing of the resolution numbered 5 set out in the notice convening the annual general meeting of the company on 8th May 1997 the directors of the company be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ('the Act') to allot equity securities as defined in section 94(2) of the Act pursuant to the authorities conferred by the said resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of any other shares or securities of the company that by their terms are entitled to participate in such rights issue where the equity securities respectively attributable to the interests of all ordinary shareholders and such holders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions as the directors of the company may deem fit to deal with fractional entitlements or problems arising in respect of any overseas territory; and

(ii) the allotment wholly for cash (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £686,296;

(b) the power hereby conferred shall expire on the conclusion of the next annual general meeting of the company following the date of this resolution (or, if sooner, fifteen months from the date of this resolution) or such later date as the company may by special resolution from time to time prescribe but may be previously revoked, varied or renewed by special resolution;

(c) the power hereby conferred shall enable the company to make any offer or agreement before the expiry of such power that would or might require equity securities to be allotted after such power expires and the directors of the company may allot equity securities in pursuance of any such offer or agreement up to the maximum amount permitted by this resolution as if the power hereby conferred had not expired; and

(d) the power conferred by resolution 5 passed at the annual general meeting of the company held on 9th May 1996 is hereby revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this resolution". (Resolution 6)

By order of the board,

P. J. DOHERTY, Secretary,
Kingston House,
Centre 27 Business Park,
Woodhead Road,
Birstall,
Batley WF17 9TD

15th April 1997

NOTES:

(i) A member of the company entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the company.

(ii) A form of proxy is enclosed with this notice for use in connection with the business set out above. In the event of you being unable to attend the meeting you are requested to complete and return the form of proxy so as to reach the company's registrars not later than 12.00 noon on Tuesday, 6th May 1997.

(iii) The register of directors' interests in shares in the company or its subsidiaries and copies of the directors' service contracts will be available for inspection at the registered office of the company during business hours only on any weekday (excluding Saturdays and public holidays) from the date of this notice until the date of the annual general meeting and at the place of the meeting from 11.45 a.m. on 8th May 1997 until the conclusion of the meeting.

(iv) The proposed dividend, if approved, will be paid on 27th May 1997.

Designed by First Impressions
Typeset and printed by Watmoughs Corporate Print Limited, Bradford and London

Cattles