

SHOPACHECK FINANCIAL SERVICES LIMITED

31 DECEMBER 2000

FINANCIAL STATEMENTS



ED1
COMPANIES HOUSE

EHUYF002

0277

31/10/01

Registered Number: 274611

SHOPACHECK FINANCIAL SERVICES LIMITED

CONTENTS

Directors' report	1 - 4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 18

SHOPACHECK FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2000

The directors submit their report and the financial statements for the year ended 31 December 2000.

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. Principal activity and review of the business

The company's principal activity is the provision of consumer credit services.

The company has enjoyed continuing growth in turnover and operating profits and the directors consider the company to be in a strong position for the future.

3. Results and dividends

The profit for the year, after taxation, amounted to £18,209,546 (1999: £18,471,116).

The directors recommend the payment of a final ordinary dividend of £5,700,000 (1999: £5,559,384) making the total dividend for the year £9,300,000 (1999: £8,859,384).

SHOPACHECK FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2000

4. Directors and their interests

The directors of the company during the year were:

J E G Cran (Chairman)	R J Horrex
S P L Mahon (appointed 24 August 2000)	M J Loughman (resigned 16 May 2000)
M W G Collins	P Oliver (appointed 1 April 2000)
P M Kirby	A Roberts (appointed 4 January 2000)
M G Goulding	D W Sutherland
I S Halder	

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

The interests of the directors in the issued share capital of the ultimate parent undertaking, Cattles plc, according to the register kept under Section 325 of the Companies Act 1985, are shown in the report and financial statements of that company so far as Messrs J E G Cran, S P L Mahon, M W G Collins and P M Kirby are concerned.

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

Ordinary shares of 10p each:	2000	1999*
Beneficial interests		
M G Goulding	24,638	28,420
I S Halder	-	2,749
R J Horrex	3,936	2,033
P Oliver	4,126	15,942
D W Sutherland	21	1,000
Employee Share Scheme Trusts		
M G Goulding	3,801	4,268
I S Halder	3,465	3,760
R J Horrex	4,277	4,031
P Oliver	2,649	3,128
D W Sutherland	2,226	-

* or date of appointment if later

SHOPACHECK FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2000

4. Directors and their interests (continued)

Share options to Executive Directors

Option Scheme	01.01.00*	Granted during the year	Exercised during the year	31.12.00	Exercise price	Date from which exercisable	Expiry date
M G Goulding							
ESOS'94	22,000	-	-	22,000	130.65p	01.05.1999	01.05.2006
ESOS'96	16,000	-	-	16,000	361.35p	01.04.2002	01.04.2009
SS	6,510	-	-	6,510	259.20p	01.12.2004	01.06.2005
I S Halder							
ESOS'94	12,400	-	-	12,400	241.35p	12.10.2001	12.10.2008
ESOS'96	7,600	-	-	7,600	241.75p	13.10.2001	13.10.2008
SS	2,611	-	2,611	-	79.25p	01.12.2000	01.06.2001
SS	4,584	-	-	4,584	150.50p	01.12.2002	01.06.2003
SS	3,125	-	-	3,125	259.20p	01.12.2004	01.06.2005
R J Horrex							
ESOS'96	16,000	-	-	16,000	361.35p	01.04.2002	01.04.2009
SS	2,611	-	2,611	-	79.25p	01.12.2000	01.06.2001
SS	9,169	-	-	9,169	150.50p	01.12.2002	01.06.2003
SS	520	-	-	520	259.20p	01.12.2004	01.06.2005
P Oliver							
ESOS'94	-	6,000	-	6,000	220.10p	10.04.2003	10.04.2010
ESOS'96	10,000	-	-	10,000	361.35p	01.04.2002	01.04.2009
SS	3,482	-	3,482	-	79.25p	01.12.2000	01.06.2001
SS	1,833	-	-	1,833	150.50p	01.12.2002	01.06.2003
SS	2,604	-	-	2,604	259.20p	01.12.2004	01.06.2005
A Roberts							
ESOS'94	-	13,500	-	13,500	220.10p	10.04.2003	10.04.2010
ESOS'96	-	2,500	-	2,500	226.60p	11.04.2003	11.04.2010
D W Sutherland							
ESOS'96	16,000	-	-	16,000	361.35p	01.04.2002	01.04.2009

* or date of appointment if later

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

SHOPACHECK FINANCIAL SERVICES LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2000

5. Disabled persons

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

6. Employee involvement

The directors believe in encouraging the interest and involvement of employees by making them more aware of performance at both local, 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.

7. Supplier payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

At the year end, the company had an average of 35 days (1999: 31 days) purchases outstanding in trade creditors.

8. Auditors

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

By Order of the Board



P J DOHERTY
Secretary

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

8 March 2001

**AUDITORS' REPORT TO THE MEMBERS OF
SHOPACHECK FINANCIAL SERVICES LIMITED**

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

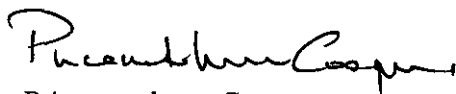
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Benson House
33 Wellington Street
Leeds, LS1 4JP

8 March 2001

SHOPACHECK FINANCIAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover	2	309,598,541	249,674,922
Cost of sales		210,025,907	171,018,317
Gross profit		99,572,634	78,656,605
Administrative expenses		73,138,368	52,540,891
Operating profit	2, 3	26,434,266	26,115,714
Income from shares in group undertakings		70,000	319,384
Profit on ordinary activities before taxation		26,504,266	26,435,098
Tax on profit on ordinary activities	7	8,294,720	7,963,982
Profit on ordinary activities after taxation		18,209,546	18,471,116
Dividends	8	9,300,000	8,859,384
Retained profit for the year	16	8,909,546	9,611,732

The company has no recognised gains and losses other than those dealt with in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

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 AS AT 31 DECEMBER 2000

	Notes	£	2000	£	£	1999	£
Fixed assets							
Intangible assets	9			16,534,466			9,308,722
Tangible assets	10			15,854,345			12,944,137
Investments	11			4,030,860			2,573,390
				<u>36,419,671</u>			<u>24,826,249</u>
Current assets							
Customers' accounts receivable:							
Amounts falling due after more than one year			11,819,379			9,141,476	
Amounts falling due within one year			<u>172,771,785</u>			<u>137,304,412</u>	
			184,591,164			146,445,888	
Less: deferred revenue			<u>37,840,803</u>			<u>36,177,739</u>	
			146,750,361			110,268,149	
Debtors	12		9,729,603			7,460,632	
Cash at bank and in hand			<u>3,019,733</u>			<u>1,601,241</u>	
			159,499,697			119,330,022	
Creditors : amounts falling due within one year	13		<u>137,766,756</u>			<u>95,028,384</u>	
Net current assets				<u>21,732,941</u>			<u>24,301,638</u>
Total assets less current liabilities				<u>58,152,612</u>			<u>49,127,887</u>
Creditors : amounts falling due after more than one year	13			167,359			120,355
Provisions for liabilities and charges	14			<u>441,815</u>			<u>373,640</u>
Net assets				<u><u>57,543,438</u></u>			<u><u>48,633,892</u></u>
Capital and reserves							
Called up share capital	15			91,500			91,500
Revaluation reserve	16			13,336			16,647
Profit and loss account	16			<u>57,438,602</u>			<u>48,525,745</u>
Shareholders' funds	17			<u><u>57,543,438</u></u>			<u><u>48,633,892</u></u>

M W G Collins

M W G COLLINS - Director

Approved by the Board on 8 March 2001

The annexed notes form part of these financial statements.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

1. Accounting policies

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of freehold properties, and in accordance with applicable accounting standards. Consolidated financial statements have not been prepared in accordance with S228 of the Companies Act 1985 as the company is a wholly owned subsidiary undertaking of another company registered in England and Wales.

Turnover

Turnover comprises the amounts received or receivable, excluding value added tax, for goods and services supplied to customers and amounts charged in respect of instalment credit agreements, including the principal sum advanced.

Deferred revenue

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

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 and formulae related to past experience.

Tangible fixed assets and depreciation

Depreciation of 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:

Freehold buildings	2% per annum
Long leasehold buildings	2% per annum
Short leasehold expenditure	5% to 20% per annum
Fixtures and equipment	10% to 33⅓% per annum
Motor vehicles	20% per annum

FRS 15 'Tangible fixed assets' has been adopted in this year's financial statements. Under the transitional arrangements in the standard, the company has chosen to retain the book values of land and buildings which were previously revalued but not to adopt a policy of revaluations in the future.

The adoption of FRS 15 has resulted in one key change to the depreciation rates applied. In previous years depreciation has not been provided on freehold and long leasehold land and buildings as a regular programme of maintenance and repair was considered to extend the useful life of the properties and as a result any depreciation would not be material. This year, the company has charged depreciation against the carrying value of the buildings, on the basis that the remaining useful economic life of these buildings is assessed as 50 years. There is no corresponding prior year adjustment as this is a change of accounting estimate rather than a change of policy.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

1. Accounting policies (continued)

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.

Fixed assets are reviewed for impairment where there is any indication that an impairment has occurred, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. Any impairment in value is charged to the revaluation reserve or the profit and loss account as appropriate.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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.

The group also operates a defined contribution scheme introduced in 1998. The pension cost in respect of this scheme is the contributions paid.

Goodwill

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

Up to 31 December 1997, goodwill arising on acquisitions was brought in at cost and offset firstly against negative goodwill arising during the year on similar acquisitions, secondly against available reserves and thereafter against retained profits brought forward. Goodwill written off to reserves prior to 1 January 1998 has not been reinstated.

On the subsequent disposal of any business to which previously written off goodwill is attaching, the related amount would be charged or credited in the profit and loss account as appropriate.

Fixed asset investments

Fixed asset investments are included at cost.

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.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

3. Operating profit

This is stated after charging/(crediting):

	2000 £	1999 £
Interest on bank and other short term borrowings (in cost of sales)	6,057,599	2,772,706
Operating lease rentals - land and buildings	1,324,641	816,271
- plant and machinery	58,901	53,101
Depreciation - owned fixed assets	3,267,430	2,269,224
Amortisation of goodwill	683,829	151,063
Auditors' remuneration - as auditors	109,000	72,000
- for other services	1,050	4,000
Profit on disposal of fixed assets	(40,579)	(234,905)
	<u>=====</u>	<u>=====</u>

4. Directors' emoluments

	2000 £	1999 £
Aggregate emoluments	350,503	287,403
	<u>=====</u>	<u>=====</u>

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

	2000 No	1999 No
Under defined benefit schemes	8	8
Under money purchase schemes	1	-
	<u>=====</u>	<u>=====</u>

The aggregate emoluments of the highest paid director were £91,677 (1999: £79,519). As at 31 December 2000 this director had an accrued pension of £27,592 pa (1999: £24,781 pa) in the group defined benefit pension scheme.

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

Those directors of the company who are also directors of the ultimate parent undertaking receive no emoluments in respect of their services for Shopacheck Financial Services Limited. In addition, Messrs R J Horrex and D W Sutherland receive no emoluments in respect of their services for Shopacheck Financial Services Limited.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED
31 DECEMBER 2000

5. Staff costs

	2000 £	1999 £
Wages and salaries	19,084,960	13,763,803
Social security costs	1,798,735	1,174,934
Cattles pension scheme costs (note 6)	746,861	700,059
Defined contribution pension scheme costs	175,854	108,092
	<u>21,806,410</u>	<u>15,746,888</u>

The average monthly number of employees during the year was made up as follows:

	2000 No	1999 No
Directors, administration and supervisory	100	91
Agents and branch office staff	1,531	1,196
	<u>1,631</u>	<u>1,287</u>

6. 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 an independent qualified actuary using the projected unit method. Except in certain circumstances, this scheme was closed to new entrants from 1998.

Details of the scheme including the most recent actuarial valuation, assumptions affecting that valuation and current funding levels are disclosed in the group financial statements prepared by Cattles plc.

The charge in this company for pension cost for this scheme for the year was £746,861 (1999: £700,059).

The group also operates a defined contribution group personal pension scheme for new employees and existing employees who are not members of the defined benefit pension scheme. The pension cost in respect of this scheme is the cash contribution paid.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

7. Tax on profit on ordinary activities

	2000 £	1999 £
Based on the profit for the year:		
Corporation tax at 30% (1999: 30.25%)	8,125,888	7,711,587
Deferred taxation	139,988	263,249
	<u>8,265,876</u>	<u>7,974,836</u>
Adjustments in respect of previous years:		
Corporation tax	100,657	1,345
Deferred taxation	(71,813)	(12,199)
	<u>8,294,720</u>	<u>7,963,982</u>

8. Dividends

	2000 £	1999 £
Interim paid	3,600,000	3,300,000
Final proposed	5,700,000	5,559,384
	<u>9,300,000</u>	<u>8,859,384</u>

9. Intangible fixed assets

	Goodwill £
Cost at 1 January 2000	9,491,784
Additions (note 20)	7,909,573
	<u>17,401,357</u>
Cost at 31 December 2000	
Amortisation at 1 January 2000	183,062
Charge for the year	683,829
	<u>866,891</u>
Amortisation at 31 December 2000	
Net book amount at 31 December 2000	<u>16,534,466</u>
Net book amount at 31 December 1999	<u>9,308,722</u>

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

10. Tangible fixed assets

	Freehold property £	Long leasehold property £	Short leasehold property & improvements £	Motor vehicles £	Office equipment £	Total £
Cost or valuation						
At 1 January 2000	2,382,024	-	2,162,461	7,232,004	10,153,125	21,929,614
Transfer from group undertakings	654,124	139,500	-	58,289	-	851,913
Arising on acquisitions	-	-	-	141,585	94,491	236,076
Additions	473,963	-	701,304	2,249,819	2,082,284	5,507,370
Disposals	(78,500)	-	-	(955,765)	(27,492)	(1,061,757)
At 31 December 2000	3,431,611	139,500	2,863,765	8,725,932	12,302,408	27,463,216
Depreciation						
At 1 January 2000	-	-	1,159,827	2,092,304	5,733,346	8,985,477
Transfer from group undertakings	-	-	-	18,501	-	18,501
Provided during the year	48,687	2,013	257,949	1,604,510	1,354,271	3,267,430
Disposals	-	-	-	(647,662)	(14,875)	(662,537)
At 31 December 2000	48,687	2,013	1,417,776	3,067,653	7,072,742	11,608,871
Net book value						
At 31 December 2000	3,382,924	137,487	1,445,989	5,658,279	5,229,666	15,854,345
At 31 December 1999	2,382,024	-	1,002,634	5,139,700	4,419,779	12,944,137

The freehold properties owned by the company were valued by external valuers on 31 December 1995 on the basis of 'existing use value' except for those premises held as investments and surplus to requirements which were valued on the basis of 'open market value.'

Freehold property includes valuations of £780,250 (1999: £858,750).

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 financial statements.

Historical cost of revalued assets:	£
At 31 December 2000	928,667
	=====
At 31 December 1999	1,025,177
	=====

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

11. Investments

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.

Teleplan Rentals Limited	- Television and video recorder rental
Macadam Finance Limited	- Weekly home collected credit
Personal Loans (Swansea) Limited	- Dormant
The Hull Clothing and Supply Co Ltd	- Dormant
Provincial Lending Co Limited	- Dormant
R W Turner Limited	- Dormant
Morville Credit Finance Limited	- Dormant
James Hart Limited	- Non-trading

Investments at cost:

	£
At 1 January 2000	2,573,390
Acquisition – Macadam Finance Limited (note 20)	1,457,470
	<hr/>
At 31 December 2000	4,030,860
	<hr/> <hr/>

12. Debtors

	2000 £	1999 £
Trade debtors	112,455	132,739
Amounts owed by group undertakings	3,324,735	2,931,331
Other debtors	584,186	194,825
Prepayments and accrued income	5,638,227	3,882,353
Dividend receivable	70,000	319,384
	<hr/>	<hr/>
	9,729,603	7,460,632
	<hr/> <hr/>	<hr/> <hr/>

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

13. Creditors

Amounts falling due within one year:	2000	1999
	£	£
Bank borrowings	1,695,838	4,585,972
Trade creditors	5,954,564	5,046,010
Amounts owed to group undertakings	115,582,741	72,576,839
Corporation tax	5,122,282	5,347,898
Other taxes and social security costs	845,022	580,675
Other creditors	1,023,402	364,426
Accruals	1,842,907	967,180
Proposed dividend	5,700,000	5,559,384
	<u>137,766,756</u>	<u>95,028,384</u>
	<u><u>137,766,756</u></u>	<u><u>95,028,384</u></u>
Amount falling due after more than one year:		
Accruals	167,359	120,355
	<u>167,359</u>	<u>120,355</u>
	<u><u>167,359</u></u>	<u><u>120,355</u></u>

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.

14. Provisions for liabilities and charges

Deferred taxation

	2000	1999
	£	£
Deferred taxation is provided in full and is made up as follows:		
Accelerated capital allowances	457,895	385,270
Other timing differences	(16,080)	(11,630)
	<u>441,815</u>	<u>373,640</u>
	<u><u>441,815</u></u>	<u><u>373,640</u></u>
Movements in provision:	£	
As at 1 January 2000	373,640	
Charge to profit and loss account	68,175	
	<u>441,815</u>	
As at 31 December 2000	<u><u>441,815</u></u>	

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

15. Share Capital

	Authorised		Allotted, called up and fully paid	
	2000 No	1999 No	2000 £	1999 £
Ordinary shares of £1 each	91,500	91,500	91,500	91,500

16. Reserves

	Profit and loss account £	Revaluation reserve £
At 1 January 2000	48,525,745	16,647
Retained profit for the year	8,909,546	-
Elimination of previous revaluation surpluses on property disposals	3,311	(3,311)
At 31 December 2000	57,438,602	13,336

17. Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	18,209,546	18,471,116
Dividends	9,300,000	8,859,384
Net addition to shareholders' funds	8,909,546	9,611,732
Shareholders' funds at 1 January 2000	48,633,892	39,022,160
Shareholders' funds at 31 December 2000	57,543,438	48,633,892

18. Operating lease obligations

At 31 December 2000 the company had annual commitments under operating leases for land and buildings as follows:

Operating leases which expire:	2000 £	1999 £
Within one year	157,452	105,148
Between two and five years	531,690	347,396
Over five years	827,112	446,248
	1,516,254	898,792

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

19. **Capital commitments**

	2000 £	1999 £
Contracted for but not provided	932,360	361,719

20. **Goodwill**

During the year the company made various acquisitions as follows:

	Macadam Finance Limited £	Others £	Total £
Tangible fixed assets	18,614	236,076	254,690
Gross debts acquired	1,093,486	11,412,929	12,506,415
Bad debt reserve	(139,000)	(2,265,467)	(2,404,467)
Deferred revenue	(269,000)	(2,225,360)	(2,494,360)
Debtors	4,506	6,600	11,106
Cash at bank and in hand	38,211	223,831	262,042
Creditors	(120,093)	-	(120,093)
Taxation	(6,423)	-	(6,423)
Net assets	<u>620,301</u>	<u>7,388,609</u>	<u>8,008,910</u>
Satisfied by:			
Cash	1,457,470	15,274,788	16,732,258
Deferred consideration	-	23,394	23,394
	<u>1,457,470</u>	<u>15,298,182</u>	<u>16,755,652</u>
Goodwill arising in the books of Shopacheck Financial Services Ltd (note 9)		<u>7,909,573</u>	<u>7,909,573</u>
Goodwill arising on consolidation in Cattles plc	<u>837,169</u>		<u>837,169</u>

Goodwill on the acquisition on 6 April 2000 of the company, Macadam Finance Limited, arises only on consolidation in the accounts of the ultimate parent undertaking, Cattles plc. Goodwill on other acquisitions, where the companies themselves were not acquired, arises in the accounts of Shopacheck Financial Services Limited.

SHOPACHECK FINANCIAL SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2000

21. 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 £6,650 (1999: £8,750).

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

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 financial statements which include a consolidated cash flow statement dealing with the cash flows of the group.

23. Related party transactions

Advantage has been taken of the exemption under Financial Reporting Standard 8 (FRS 8) 'Related Party Transactions', not to disclose transactions with entities that are part of the Cattles plc group on the grounds that all the voting rights of the company are controlled by Cattles plc.

24. Ultimate parent undertaking

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

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

CATTLES plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2000

Registered Number 543610

To be filed with dno 274611

BEST SERVING OUR CUSTOMER NEEDS

C O R P O R A T E S T A T E M E N T

Cattles plc aims to be the first choice provider of financial services to consumers within the United Kingdom who either choose not to use, or do not have access to, mainstream facilities and to companies which require a personal and flexible service.

Contents

1	Financial Highlights
1	Five Year Performance
2	Profile of the Group
3	UK Branch Locations
4	Chairman's Statement
6	Chief Executive's Review
12	Directors and Secretary
13	Registered Office and Advisers
14	Report of the Directors
19	Report of the Board on Directors' Remuneration
26	Group Profit and Loss Account
27	Group Balance Sheet
28	Company Balance Sheet
29	Group Cash Flow Statement
30	Notes on the Accounts
49	Independent Auditors' Report
50	Five Year Summary
51	Principal Operating Subsidiary Undertakings
52	Notice of Meeting
54	Explanation of Resolutions

FINANCIAL HIGHLIGHTS

	2000	1999
Profit before tax and goodwill amortisation	£65.1m	£56.3m
Earnings per share before goodwill amortisation	16.39p	14.18p
Dividends per share	8.0p	6.9p

FIVE YEAR PERFORMANCE

PROFIT BEFORE TAX* £m

2000	65.1
1999	56.3
1998	47.8
1997	39.6
1996	33.9

EARNINGS PER SHARE** pence

2000	16.39
1999	14.18
1998	12.16
1997	10.03
1996	8.48

DIVIDENDS PER SHARE** pence

2000	8.00
1999	6.90
1998	5.90
1997	4.90
1996	4.15

RECEIVABLES £m

2000	781.7
1999	605.2
1998	459.2
1997	321.4
1996	263.3

* Profit before tax and earnings per share are stated before the exceptional profit in 1997 and before goodwill amortisation from 1998 onwards

**Earnings and dividends per share prior to 1999 are restated for the 1999 capitalisation issue

PROFILE OF THE GROUP

CONSUMER CREDIT

The consumer division comprises **Shopacheck Financial Services**, **Welcome Financial Services**, **Welcome Retail Services** and **The Lewis Group** serving more than 650,000 customers from over 400 branch locations throughout the UK.

The product range includes unsecured personal loans, hire purchase credit facilities and merchandise related products sold through leaflets and catalogues.

Typically, advances are between £150 and £3,000 repayable over periods from 26 weeks to 3 years which are collected either by an agent calling weekly at the customer's home or monthly by direct debit.

The Lewis Group provides debt collection and investigation services for both the consumer division and external clients. The close links with Shopacheck and Welcome ensure the effectiveness of this important aspect of its role.

CORPORATE SERVICES

The corporate division provides working capital finance to the small and medium sized business community.

Cattles Commercial Finance and **Cattles Commercial Leasing**, based in Hull, provide asset backed leasing, hire purchase and block discounting facilities. A typical advance is £20,000 over a 3 year period.

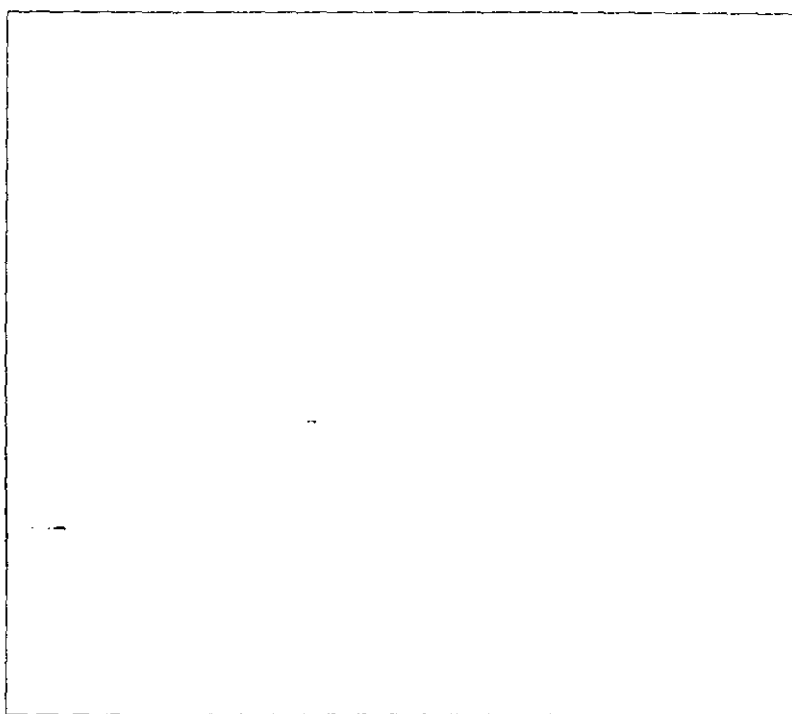
Cattles Invoice Finance, with locations in Manchester and Oxford, provides invoice factoring and sales ledger management services. **Cattles Trade Finance** provides import financing to complement the invoice factoring products.

UK BRANCH LOCATIONS

"FASTER RESPONSE TIMES, MORE CONVENIENT
OPERATING HOURS FOR OUR CUSTOMERS AND
FACE TO FACE CONTACT ARE THE INGREDIENTS
FOR SUCCESS IN OUR CHOSEN MARKET"

[illegible]

CHAIRMAN'S STATEMENT



Barrie Cottingham

I am pleased to report another record year and further progress towards our goal of establishing a nationwide network of branch offices. Profit before tax and goodwill amortisation at £65.1 million represents a 15.7 per cent increase over last year's £56.3 million. Similarly, earnings per share increased by 15.6 per cent to 16.39p. Profit before tax at £64.3 million increased by 14.7 per cent from £56.0 million last year and earnings per share increased by 14.2 per cent to 16.09p from 14.09p.

The directors are recommending a final dividend of 5.38p per share compared to 4.63p last year, payable on 11th May 2001. This, together with the interim dividend of 2.62p per share paid in October 2000, makes a total of 8p compared to last year's total of 6.9p, representing an increase of 15.9 per cent. Shareholders will again be 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 4th April 2001.

The original five year business plan adopted in 1998 to expand the consumer division is now more than halfway through and growth targets, in terms of receivables, customer numbers and branch openings, have been exceeded. Adding to this outperformance has been the opportunistic acquisition of portfolios of receivables and businesses, particularly in the final quarter of 2000.

**"A FINAL DIVIDEND OF 5.38p PER SHARE
MAKING A TOTAL OF 8p FOR THE YEAR-
AN INCREASE OF 15.9 PER CENT OVER 1999"**

We announced today a placing of approximately 14 million shares, the proceeds of which will be used to refinance these acquisitions, reduce borrowings and provide the group with resources to continue to successfully grow its business as part of its medium term financing strategy. The Board currently has no plans to make significant acquisitions.

As I reported in our interim statement, Eddie Cran wishes to step down from the position of Chief Executive and to leave the group on 31st May 2001. After more than 10 years outstanding leadership, during which period the group has grown more than tenfold, he departs with our thanks and very best wishes. He will be succeeded as Chief Executive by Séan Mahon who joined the Board on 24th August 2000 as Deputy Chief Executive,

having previously been a member of the UK board and senior partner of the Northern Region of PricewaterhouseCoopers. Since joining the group, Séan has been working closely with Eddie and the executive team to ensure a smooth and seamless succession whilst planning and implementing the next stages of the group's medium term business plan.

Neil Lewis, who joined the Board in 1993 as a non-executive director, retires at the annual general meeting on 3rd May 2001. I would like to place on record our thanks for the invaluable help and guidance Neil has provided over that period.

I am delighted that Norman Broadhurst has agreed to stand for election as a non-executive director at the annual general meeting. Norman is a former Deputy Chief Executive of

VSEL Consortium plc and former Finance Director of Railtrack plc. He currently holds non-executive directorships with Chloride plc, Taylor Woodrow plc, United Utilities plc and, more recently, Tomkins plc.

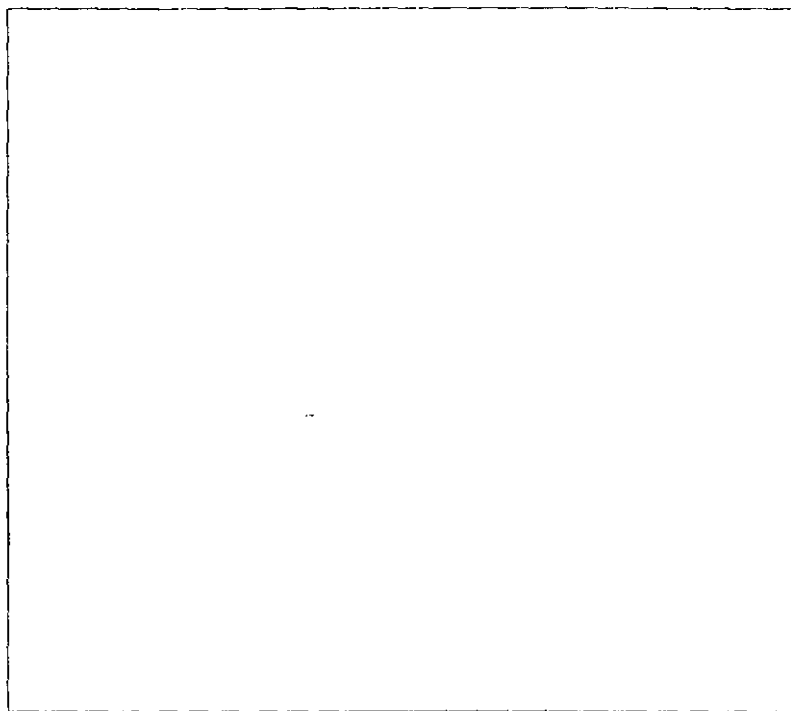
Staff throughout the group have performed magnificently to help achieve this year's results. On behalf of the Board I would like to thank them all for their valuable contributions.

We are very pleased with the results for 2000 and we are confident that 2001 will bring further progress.



Barrie Cottingham

CHIEF EXECUTIVE'S REVIEW



Edward Cran

In my final annual review before departing in May, it gives me great pleasure to present another set of excellent results, secure in the knowledge that my successor, Séan Mahon, has ably taken over the reins. The five year plan formulated in 1998 is well on track and much progress towards its objectives has been made in 2000.

CONSUMER CREDIT

The majority of the group's profits are generated by the consumer division which comprises Shopacheck, Welcome and Lewis.

The market which we serve continues to evolve whilst technology and new products create the opportunity for us to provide a better service to our customers. An increasing number of credit applications underline the demand for our products and services which are delivered through an ever expanding local network. We believe that faster response times and more convenient operating hours for our customers, together with face-to-face contact, are the ingredients for success in our chosen market. This approach continues to be very different from most other operators in the financial services market.

"DELIVERY OF PRODUCTS AND SERVICES
THROUGH AN EVER EXPANDING LOCAL
NETWORK"

Our consumer division has increased its pre-tax profits by 18.9 per cent whilst opening 84 new branches and growing the customer base by 131,000 to 681,000.

Shopacheck, the weekly collected credit business, continues its growth in profits, receivables and the customer base. The number of agents has increased to in excess of 3,000 and total receivables by over 30 per cent. It is very pleasing to report a profit increase of 8.5 per cent to £31.2 million, well ahead of the 3.9 per cent increase reported in 1999.

THE KEY TO OUR FUTURE
SUCCESS WILL BE THE
CONTINUED INVESTMENT IN
PEOPLE AND SYSTEMS

"BY ORGANIC GROWTH AND ACQUISITION IN
OUR CHOSEN MARKETS, FUTURE PROSPECTS
CONTINUE TO LOOK SOUND"

CHIEF EXECUTIVE'S REVIEW

As mentioned in the Chairman's Statement, a number of portfolios of receivables and businesses have been acquired. In the final few weeks of the year 34,000 customers and £10 million of receivables were added in this way. These acquisitions will contribute to the further development of Shopacheck over the next few years in terms of achieving its objectives for geographical coverage and customer recruitment.

Welcome, the monthly instalment credit business, has again produced excellent results. Together with its sister company, Welcome Retail Services, pre-tax profits have increased by 32 per cent to £31.9 million. The new computer system, which enables our targeted customers to be filtered more efficiently, has been successfully introduced during the year and is working well. This has contributed towards the 20 per cent increase in customers to 228,000 at the year end.

Lewis, the group's debt recovery operation, used both internally and for external clients, has again performed well. The relocation to new premises in Cleckheaton was successfully completed at the end of August. The former Lewis head office has been refurbished and is now the group's training centre.

It is anticipated that the businesses in the consumer division will increasingly work closer together resulting in a greater proportion of their staffing and other costs being shared.

"WORKING CLOSER TOGETHER
RESULTING IN STAFFING AND
OTHER COSTS BEING SHARED"

CHIEF EXECUTIVE'S REVIEW

CORPORATE SERVICES

The corporate services division has had a particularly difficult year with profits reduced from £5 million to £3.9 million. The hire purchase and leasing business increased receivables by 19.8 per cent to £55 million and achieved a very commendable 6.9 per cent increase in profits. However, this improvement was more than offset by the reduced profits from factoring.

Changes in senior management in the factoring business, reported at the half year, necessitated a period of

consolidation pending the appointment of a new managing director who arrived in August. Tight constraints were placed on new lending leading to reduced business activity, particularly in trade finance. Pre-tax profits of the factoring business have almost halved from £2.7 million to £1.4 million. A new brand name has been introduced in January 2001 with Reedham and Argent now operating as "Cattles Invoice Finance". Results are budgeted to show an improving trend from 2001.

MEETING OUR
CUSTOMER
NEEDS IS HIGH
ON OUR LIST
OF PRIORITIES

BALANCE SHEET

In December 2000 the group successfully raised £125 million from a new banking syndicate which included new and existing relationships and we were delighted with their support. This, together with the placing referred to in the Chairman's Statement, increases our available working capital which will be applied towards the further expansion planned for 2001.

If the proceeds of the placing announced today had been applied at 31st December 2000, this would have reduced reported gearing to

just over three times shareholders' funds.

FUTURE

I am delighted with the profits growth and progress achieved by the group in 2000. We have again invested significantly in our branch infrastructure during the course of the year. As the businesses in their respective divisions increasingly work closer together and share their infrastructure costs, greater efficiencies will ensue.

With the opportunities that exist to grow both organically and by acquisition

in our chosen markets, future prospects continue to look sound. However, no business can expand and be consistently successful without the efforts of staff at all levels. It is to them that I give my thanks not only for the year just ended, but also for the past 10 years.

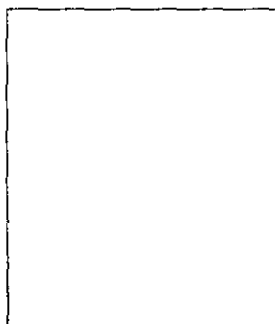
I leave the group confident that 2001 should be another successful year.



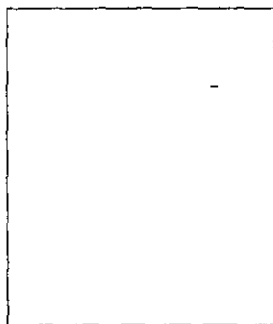
Edward Cran

"SIGNIFICANT INVESTMENT IN
BRANCH INFRASTRUCTURE
THROUGHOUT THE YEAR"

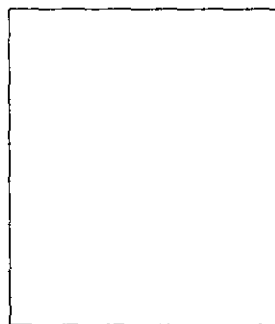
DIRECTORS AND SECRETARY



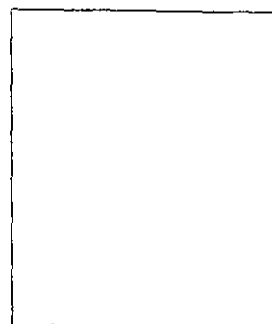
***BARRIE COTTINGHAM,**
FCA. Chairman. Age 67.
Appointed to the Board
1995. Appointed
Chairman May 1999.
Formerly a senior partner
in Coopers & Lybrand.
Non-executive chairman
of SIG plc and non-
executive director of
Vibroplant plc and Dew
Pitchmastic PLC.



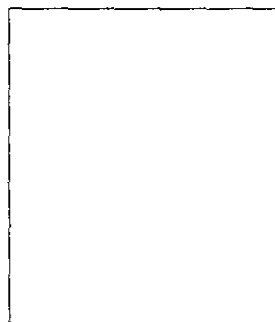
J. EDWARD G. CRAN,
ACMA. Chief Executive.
Age 49. Joined the
company and appointed
to the Board in 1990
when Compass Credit
Limited (where he was
Managing Director) was
acquired. Prior to joining
Compass Credit Limited
in 1987 held various
senior positions in the
credit industry. Retires
on 31st May 2001.



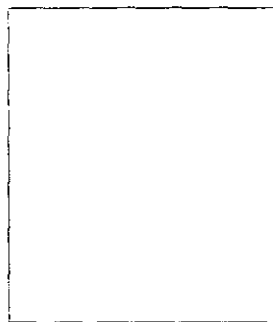
SÉAN P. L. MAHON,
FCA. Deputy Chief
Executive. Age 54.
Appointed to the Board
August 2000. Previously
a member of the UK
board and Chairman and
senior partner of the
Northern Region of
PricewaterhouseCoopers.



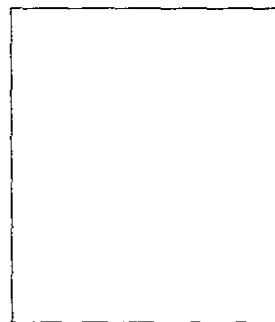
MARK W. G. COLLINS,
FCA. Finance Director.
Age 47. Joined the
company in 1996 as
Group Chief Accountant.
Appointed to the Board
June 1998. Appointed
Finance Director June
1999. Prior to joining the
company was Finance
Director of Brooke
Industrial (Holdings) plc.



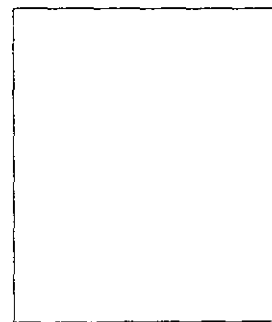
IAN S. CUMMINE,
Managing Director of
Welcome Financial
Services Limited. Age 47.
Joined the company in
1994 when Welcome was
acquired. Appointed to
the Board June 1998.
Prior to the setting up of
Welcome, of which he
was a co-founder, held
senior positions in the
credit industry.



PAUL M. KIRBY,
Managing Director of
Shopcheck Financial
Services Limited. Age 53.
Joined the company
March 1998. Appointed
to the Board June 1998.
Prior to joining the
company was Managing
Director of Car Care Plan
Limited, a subsidiary of
General Motors.
Previously held various
senior positions in the
credit industry.



***DAVID A. HAXBY.**
Age 59. Appointed to the
Board July 1999.
Formerly the managing
partner of the London
office of Arthur
Andersen. Non-executive
director of Nettek plc,
Cyberes plc and Tinsley
Park Holdings Limited.



***NEIL LEWIS.**
Age 66. Appointed to the
Board 1993. Has extensive
experience of the finance
and insurance industry in
the UK and the USA.
Managing partner of the
Churchgate Group,
executive director of
WHH Services and non-
executive director of
Abraxas (UK) Limited,
Abraxas Insurance
Administration Services
Limited and Abraxas
Software Limited. Retires
on 3rd May 2001.

REGISTERED OFFICE AND ADVISERS

REGISTERED OFFICE

Kingston House,
Centre 27 Business Park,
Woodhead Road,
Birstall,
Batley WF17 9TD

REGISTRARS

Computershare Services PLC,
PO Box 435,
Owen House,
8 Bankhead Crossway North,
Edinburgh EH11 4BR

STOCKBROKERS

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

SOLICITORS

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

AUDITORS

PricewaterhouseCoopers,
Benson House,
33 Wellington Street,
Leeds LS1 4JP

PUBLIC RELATIONS

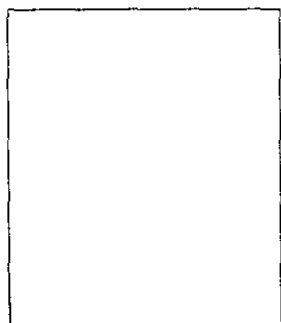
Financial Dynamics Ltd.,
Holborn Gate,
26 Southampton Buildings,
London WC2A 1PB

PRINCIPAL BANKERS

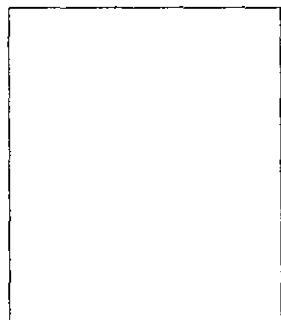
The Royal Bank of Scotland plc
HSBC Bank plc
Bank One, NA

MERCHANT BANKERS

Schroder Salomon Smith Barney,
Citygroup Centre,
33 Canada Square,
Canary Wharf,
London E14 5LB



NICHOLAS J. SEEL,
Group Services Director.
Age 49. Joined the
company 1990 when
Compass Credit Limited
was acquired. Appointed
to the Board June 1998.
Prior to joining Compass
Credit Limited, held
various positions in the
credit industry.



PATRICK J. DOHERTY,
MA (Oxon). Company
Secretary. Age 48. Joined
the company 1991 as
Group Legal Adviser.
Appointed Company
Secretary 1993. Prior to
joining the company held
legal advisory and
company secretarial
positions in the steel and
automotive industries.

*Independent non-executive
and member of the Audit,
Remuneration and
Nomination Committees

REPORT OF THE DIRECTORS

For the year ended 31st December 2000

The directors submit their report together with the group financial statements for the year ended 31st December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the group are in:

- **Consumer credit** – weekly home collected credit and related merchandising
– monthly instalment loans and hire purchase credit
– debt collection and investigation services
- **Corporate services** – hire purchase, leasing, invoice factoring and trade finance to businesses

A review of the principal business activities is contained in the Chief Executive's Review on pages 6 to 11 and a list of principal operating subsidiary undertakings is set out on page 51.

RESULTS AND DIVIDENDS

The group profit and loss account is set out on page 26. The performance of the group is reviewed in the Chairman's Statement on pages 4 and 5 and the Chief Executive's Review on pages 6 to 11.

The turnover for the year was £768,667,000 and the profit before taxation was £64,281,000 after charging interest of £31,200,000. An analysis of turnover and profit before taxation, by segmental activity, is set out in note 4 on page 33. The charge for taxation for the year is set out in note 5 on page 34.

A final dividend of 5.38p per share is proposed and, if approved, will be paid on 11th May 2001 to shareholders on the register on 23rd March 2001. A scrip alternative to the final cash dividend will be offered. Forms of election will be posted to shareholders on 4th April 2001. The final dividend, together with the interim dividend of 2.62p paid in October 2000, makes a total for the year of 8p.

DIRECTORS

The Board comprises six executive directors and three independent non-executive directors whose details are set out on pages 12 and 13.

The following director, having been appointed since the forty-fifth annual general meeting held on 4th May 2000, offers himself for election:

Séan P. L. Mahon who holds office as an executive director and has a rolling service contract requiring a period of twelve months notice from the company or six months from the director.

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

Ian S. Cummine and Paul M. Kirby both of whom hold office as executive directors and have rolling service contracts requiring a period of twelve months notice from the company or six months from the director.

Neil Lewis retires at the annual general meeting and does not seek re-election.

Norman Broadhurst, whose details are set out in the Chairman's Statement, is being proposed for election and will, if elected, hold office without a service contract as a non-executive director.

Details of the directors' interests in the shares of the company are set out in the Report of the Board on Directors' Remuneration on pages 23 to 25.

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

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing 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 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.

FUNDING

In December 2000 a further £125 million two year syndicated facility was established which increased the total amount of available funding to £630 million. The funding profile is set out in note 18 on pages 41 and 42.

DERIVATIVE 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. Conventional interest rate swaps covering £160 million of borrowings effectively fix rates in the range of 5.2 per cent to 6.8 per cent for various periods expiring up to the final quarter of 2005. A further £105 million of borrowings is protected by interest rate caps which run for various periods expiring up to the third quarter of 2005 at rates mainly between 5.5 per cent and 8.0 per cent. A summary of hedging positions and the interest rate exposure of the underlying financial liabilities is set out in note 18 on pages 41 to 43.

SUBSTANTIAL SHAREHOLDINGS

As at 8th March 2001 the company had been notified of the following 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:

● CGNU plc and Morley Fund Management	6.35%
● Lloyds TSB Group plc and Scottish Widows Investment Management	5.88%
● Prudential plc	3.99%
● Scottish Equitable plc	3.23%

DONATIONS

Charitable donations during the year amounted to £15,938 (1999: £10,046); there were no political donations in either year.

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.

ENVIRONMENTAL ISSUES

The business activities of the group have an environmental impact both directly and indirectly and the directors recognise their responsibility to measure and manage that impact. An environmental manager has been appointed and a working party formed to assist in making environmental considerations an integral and

fundamental part of business operations. In particular, the directors will ensure that all its operations comply with current and future environmental legislation and will work towards minimising the impact of the business on the environment by monitoring and reviewing business activities in an effort to set realistic targets for continual improvement. In due course it is intended that the environmental policy will be incorporated into employee training and development thus encouraging employees to have a better understanding of environmental issues and initiatives within the business.

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers when a binding purchase contract is entered into, provided that all trading terms and conditions have been complied with.

At the year end the company had an average of 35 days (1999: 28 days) purchases outstanding in trade creditors.

AUDITORS

PricewaterhouseCoopers are willing to continue in office and a resolution for their re-appointment as auditors at a remuneration to be fixed by the directors will be proposed at the annual general meeting.

ALLOTMENT OF SHARES

By a special resolution passed at the annual general meeting held on 29th April 1999, 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 £23,281,379. This authority will not expire until the annual general meeting in 2004 or 28th April 2004 (whichever is the sooner) unless earlier revoked, varied or renewed by the company in general meeting. Of the original nominal amount so authorised £9,183,892 remains available pursuant to the existing authority (prior to the issue of any shares pursuant to the placing of approximately 14 million shares referred to in the Chairman's Statement). The directors consider that it is not necessary to renew, vary or extend the existing authority.

PRE-EMPTION RIGHTS

Full details of the proposed disapplication of the statutory pre-emption rights are set out in the Explanation of Resolutions to be proposed at the annual general meeting set out on page 54.

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 2000 will be posted to shareholders on 4th April 2001.

CORPORATE GOVERNANCE

(i) Directors

The Board, which comprises six executive and three non-executive directors, holds seven regular Board meetings a year and other meetings when needed. A schedule of matters reserved for its decision has been adopted which includes responsibility for overall group strategy, approval of significant acquisitions, divestments and major capital expenditure.

All the non-executive directors are considered to be independent and hold, or have held, senior positions in other major UK organisations. They bring a range of experience to the Board and participate in decisions on key issues facing the group. Mr D. A. Haxby has been appointed the senior independent non-executive director.

All directors have access to the advice and service of the company secretary, and the Board has an established procedure whereby any director wishing to do so in the furtherance of his duties may take independent professional advice at the company's expense.

Details of Board members and membership of committees are set out on pages 12 and 13. The Report of the Board on Directors' Remuneration is set out on pages 19 to 25.

(ii) Shareholder Relations

The group maintains a close relationship with its major shareholders through regular contact. The annual general meeting is seen as an opportunity to communicate with other shareholders and all directors are expected to attend.

The annual general meeting details for this financial year are set out on pages 52 and 53.

(iii) Accountability and Audit**(a) Financial Reporting**

The Annual Report is designed to present a balanced and understandable view of the group's activities and prospects. The Chairman's Statement and the Chief Executive's Review, as set out on pages 4 to 11, provide an assessment of the group's affairs.

(b) Internal Controls

The Board of directors has overall responsibility for the group's internal control system which embraces all risks faced by the organisation, including business, operational and compliance risks. The directors recognise, however, that there are inherent limitations in any system of internal 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 control system on a six monthly basis. A full review of the system was conducted during the financial year.

The principal features of the group's internal 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 ensure that the major business risks facing the group are identified and that appropriate policies are developed for the management of those risks. The Board, however, recognises that the internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The work of the group's external Risk Assurance provider focuses on the group's most significant areas of risk and, by a formal process of six monthly risk monitoring and reporting, 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 annually on a 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 ongoing maintenance of the system of internal control procedures to the executive management, specifically designated Risk Champions and appropriate working parties. The system ensures that successive assurances are provided to ascending levels of management and changes in the risk profiles for all business areas are monitored and reported on a monthly basis.
- The Board also reviews the role of insurance in managing risks across the group.

(c) Turnbull Guidance on Internal Control

In order to establish the necessary procedures to implement the Turnbull guidance 'Internal Control: Guidance for Directors on the Combined Code', the group conducted a baseline exercise under the auspices of its Risk Management Steering Committee in July 1999. The exercise identified and evaluated key areas of non-financial risk, the group's perceived tolerance or commercial appetite towards such risks and the policies and procedures which should be adopted in order to manage the likely exposure.

As part of the risk management strategy developed in 1999 and implemented from the beginning of 2000, the group entered into an arrangement in July with a leading firm of professional advisers for the provision of a complete range of Internal Audit and Risk Assurance services. The existing Internal Audit function was re-employed by the service provider and a direct reporting link to the Board's audit committee was established. Through a series of structured, high level interviews and more widespread facilitated risk management workshops, the Internal Financial Control framework, (developed originally by internal audit), was extended to include, within the scope, an acknowledgment of the most significant areas of non-financial risk and a statement of the controls adopted to manage those risks within acceptable tolerances. The workshops were further used to evaluate the identified risks by reference to impact and likelihood and allocate responsibility for developing policies and procedures to control these risks to designated Risk Champions and working parties for all business areas.

Having served its purpose in implementing procedures to comply with the Turnbull guidance, the Risk Management Steering Committee was replaced in January 2001 by a Risk Management Group comprising the Chairman of the audit committee, Chief Executive, Group Services Director and Finance Director. This group meets twice a year, reporting to the audit committee.

The group is continuing to develop its risk management framework further to ensure that risk monitoring and reporting is embedded at all levels of management and throughout all areas of the group's operations.

(d) 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 David Haxby. Its terms of reference include monitoring the appropriateness of accounting policies, financial reporting and internal controls. The committee calls upon the external auditors, external Risk Assurance providers 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 Board on Directors' Remuneration is set out on pages 19 to 25.

- Nomination Committee

The nomination committee comprises the three non-executive directors and the Chief Executive under the chairmanship of Barrie Cottingham. It meets on an ad-hoc basis to propose to the Board any new appointments of executive or non-executive directors.

(iv) Combined Code Compliance

The directors consider that throughout the accounting period the company complied with all of the provisions of Section 1 of the Combined Code annexed to the Listing Rules of the Financial Services Authority with the exception of the exclusion of bonuses from pensionable salary (B1.6).

The Report of the Board on Directors' Remuneration refers specifically to this provision and the reasons why the company does not comply fully with it.

(v) 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

8th March 2001



REPORT OF THE BOARD ON DIRECTORS' REMUNERATION

For the year ended 31st December 2000

THE REMUNERATION COMMITTEE

The remuneration of executive directors is determined by the Board based on recommendations made by the remuneration committee. The remuneration committee is composed of three non-executive directors, Neil Lewis (acting as chairman), Barrie Cottingham and David Haxby. None of the committee members 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.

POLICY ON THE REMUNERATION OF EXECUTIVE DIRECTORS

The remuneration committee ensures that remuneration packages are sufficient to attract and retain executive directors of the quality required and provide motivation and appropriate reward for the enhancement of shareholder value. It is an 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. Such targets comprise both internal and external measures of performance with a potential maximum payment of 75 per cent of basic salary in respect of all elements in aggregate. The actual profit and earnings per share performance as 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) a comparator group based upon constituents of the Financials sector of the FTSE All Share Index and (b) constituents of the FTSE All Share Index as a whole.

(iii) Share Schemes

The company believes 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 Scheme

This scheme, established in 1994, is 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 scheme, 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 group financial statements subject to any costs or payments to the restricted share scheme 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 group financial statements in a particular year. Any such adjustment to earnings per share by the remuneration committee would be made in consultation with the auditors.

The shares will not vest absolutely in the participants until after the end of three years and then only if they are still in Cattles' employment at that 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 performance goals having been attained will vest in the participants. Any balance of the notional award for future accounting periods will not vest.

The participants have no voting rights or entitlements to dividends in respect of the shares until they vest.

Earnings per share must grow by a minimum pre-determined amount, set at the time of the award, over a three year performance period before participants will become entitled to any shares. In addition, awards are subject to external comparison of earnings per share growth based upon constituents of both the Financials sector of the FTSE All Share Index and the FTSE All Share Index taken as a whole. The performance criteria in respect of those shares notionally awarded on 1st January 1998 have been met and the shares will vest in April 2001.

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.

The scheme operates 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 scheme. The Trust purchases shares in the market for the purpose of the scheme, hence there is no issue of new shares. The Trust will at no time hold more than five per cent of the issued share capital of Cattles.

The scheme is funded by loans from the company to the trustee of the Trust which then acquires Cattles shares for the purpose of the scheme.

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

The accounting treatment of the shares held by the Trust and the underlying loan are dealt with in the financial statements in accordance with UITF13: Accounting for ESOP trusts.

(b) Executive Share Option Schemes

Grants of options are made by the remuneration committee under two schemes. These are the Cattles Executive Share Option Scheme 1994, an Inland Revenue approved scheme, approved by the shareholders in 1994, and the Cattles Executive Share Option Scheme 1996, approved by the shareholders in 1996. The 1996 scheme was introduced to enable grants of options to be made, where appropriate, in addition to those granted under Inland Revenue approved schemes.

The exercise of options under both schemes is dependent upon the achievement of performance criteria consistent with the recommendations of the investment committees representing institutional shareholders.

Save for options still outstanding and unexercised under the 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 Scheme.

(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 determined by the Board acting upon the recommendation of the remuneration committee. Invitations were circulated to qualifying employees in 1993, 1995, 1997 and 1999. The company has taken advantage of the exemption contained in UITF17: Employee share schemes, not to apply that abstract to the Inland Revenue approved Cattles Employee Sharesave Scheme.

(d) Cattles Employee Share Scheme 1994

This scheme introduced in 1994 is a profit sharing scheme whereby an amount of up to five per cent of pre-tax profits is set aside each year to acquire shares in the company to be held in a trust on behalf of eligible employees. The total amount to be set aside is determined by the Board acting upon the recommendation of the remuneration committee. The amounts attributable to eligible employees are determined by a formula linked to their salaries 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.

(e) New All Employee Share Scheme

The government have introduced a new All Employee Share Scheme. Any proposal to introduce such a scheme to replace the existing profit sharing scheme will be put to shareholders for their approval at the appropriate time.

(iv) Pension Arrangements

Executive directors (with the exception of I. S. Cummine and S. P. L. Mahon, see below) are members of the Cattles Staff Pension Fund. 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, which apply to all members on the same terms, 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) death in service 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, subject to the operation of the pension cap if appropriate, basic salary and annual cash bonuses. The Board recognises that Schedule A to the Combined Code requires that, in general, annual bonuses should not be pensionable. However, the inclusion of annual cash bonuses, which apply at most employment levels within the group, has been a feature of the scheme since its introduction. The rules of the Cattles Staff Pension Fund apply to all members on the same terms, including executive directors. This 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.

I. S. Cummine joined the group as managing director of Welcome Financial Services in 1994 and became an executive director of Cattles on 1st June 1998. Throughout this period, and continuing to date, the company has made a monthly contribution into his money purchase personal pension plan equivalent to 12.5 per cent of his basic salary. He is provided with death in service life insurance cover of three times basic salary.

S. P. L. Mahon joined the group as Deputy Chief Executive of Cattles in August 2000. The company makes additional payments equivalent to 15 per cent of his basic salary and annual cash bonuses to enable personal contributions to be made to an existing retirement annuity plan. He is provided with death in service life insurance cover of three times basic salary.

(v) Service Contracts

The period of notice to be given by the company to each of the executive directors for the termination of their service contracts is one year. J. E. G. Cran's service contract will expire without compensation upon his retirement on 31st May 2001.

The period of notice to be given by each executive director to the company is six months.

POLICY ON THE REMUNERATION OF NON-EXECUTIVE DIRECTORS

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board. Their business expenses are reimbursed. Non-executive directors cannot participate in any of the company's share option schemes and are not eligible to join the company's pension scheme.

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION

DIRECTORS' EMOLUMENTS

	Basic salary	Fees	Annual bonus	Emoluments before benefits in kind		Benefits in kind (vi)		Employee share scheme allocation (vii)	
	£'000	£'000	£'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Executive									
J. E. G. Cran	309	—	193	502	376	17	15	8	8
S. P. L. Mahon (i)	89	—	56	145	—	3	—	—	—
M. W. G. Collins	129	—	59	188	154	15	15	8	—
I. S. Cummine	170	—	87	257	209	15	14	8	5
P. M. Kirby	170	—	88	258	194	12	9	—	—
N. J. Seel	129	—	59	188	154	14	13	8	8
G. Clappison (ii)	—	—	—	—	103	—	5	—	8
Non-executive									
B. Cottingham (iii)	—	55	—	55	41	—	—	—	—
D. A. Haxby (iv)	—	28	—	28	13	—	—	—	—
N. Lewis	—	28	—	28	24	—	—	—	—
R. H. W. Robson (v)	—	—	—	—	40	—	—	—	—
Total	996	111	542	1,649	1,308	76	71	32	29

- (i) S. P. L. Mahon joined the Board on 24th August 2000. The amounts shown relate to the period from the date of appointment only.
- (ii) G. Clappison retired as an executive director on 31st May 1999.
- (iii) B. Cottingham was appointed Chairman on 10th May 1999.
- (iv) D. A. Haxby joined the Board as a non-executive director on 1st July 1999.
- (v) R. H. W. Robson retired as Chairman and non-executive director on 10th May 1999.
- (vi) Benefits in kind relate principally to scale benefits for the use of a company car.
- (vii) Allocations under the Cattles Employee Share Scheme 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' PENSIONS

	Age at 31st December 2000	Contribution to personal pension scheme £'000	Increase in accrued pension since 31st December 1999 £'000 p.a.	Transfer value of increase in accrued pension, less directors' contribution £'000	Accumulated total accrued pension at 31st December 2000 £'000 p.a.
J. E. G. Cran	49	—	14	99	85
S. P. L. Mahon	54	13	—	—	—
M. W. G. Collins	47	—	2	9	7
I. S. Cummine	47	21	—	—	—
P. M. Kirby	52	—	—	—	40
N. J. Seel	49	—	6	39	24

Notes:

- The transfer values have been calculated in accordance with actuarial guidance using the actuarial assumptions underlying the Minimum Funding Requirement.
- The increase in accrued pension allows for 1.1 per cent statutory revaluation of the accrued pension at 31st December 1999.
- The accumulated total accrued pension is that which would become payable on retirement at age 65 on the assumption that service terminated on 31st December 2000.

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION

4. With the exception of I. S. Cummine, where contributions are made into his money purchase personal pension plan, and S. P. L. Mahon where an additional payment equivalent to 15 per cent of his basic salary and annual cash bonuses is made to enable him to make personal contributions to an existing retirement annuity plan, the pension relates to membership of the Cattles Staff Pension Fund described on page 21.
5. P. M. Kirby's accrued benefits include the value of benefits transferred in from his previous employment. There has been no increase in his leaving service benefit over the year, since the notional 'value for money' component relating to his transferred in benefits has fallen over the year, more than offsetting the additional benefit accrual.

DIRECTORS' SHAREHOLDINGS

The directors named on pages 12 and 13 were in office for the whole of the financial year with the exception of S. P. L. Mahon who was appointed on 24th August 2000. 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:

BENEFICIAL

	8th March 2001	31st December 2000	31st December 1999 or date of appointment if later
B. Cottingham	54,720	54,720	51,089
J. E. G. Cran	479,159	479,159	471,166
S. P. L. Mahon	20,101	20,101	—
M. W. G. Collins	6,639	6,639	3,000
I. S. Cummine	58,620	58,620	44,826
P. M. Kirby	2,007	2,007	1,958
N. J. Seel	34,241	34,241	30,602
D. A. Haxby	8,062	8,062	2,920
N. Lewis	52,829	52,829	51,215
Total	716,378	716,378	656,776

NON-BENEFICIAL

The only non-beneficial holding is by M. W. G. Collins in his capacity as trustee of the Cattles Employee Share Scheme 1994. At 31st December 2000 the number of shares held was 819,081 (31st December 1999: 746,374 shares). Between 31st December 2000 and 8th March 2001 the trustees have made disposals totalling 786 shares on behalf of employees.

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION

LONG TERM INCENTIVES

(a) Share Options to Executive Directors

Ordinary shares under option granted under the Cattles Executive Share Option Scheme (1994) ('ESOS 94'), the Cattles Executive Share Option Scheme (1996) ('ESOS 96') and the Cattles Employee Sharesave Scheme ('SS'):

	Option scheme	31st December 1999	Granted during the year	Exercised during the year	31st December 2000	Exercise price (p)	Market price at exercise date (p)	Realised gain on exercise £'000	Date from which exercisable	Expiry date
J. E. G. Cran	SS	4,353	—	4,353	—	79.25	274.50	8	—	—
	SS	5,208	—	—	5,208	259.20	—	—	01.12.04	01.06.05
M. W. G. Collins	ESOS 94	22,000	—	—	22,000	131.25	—	—	03.10.99	03.10.06
	ESOS 96	18,000	—	—	18,000	131.70	—	—	04.10.99	04.10.06
	SS	6,510	—	—	6,510	259.20	—	—	01.12.04	01.06.05
I. S. Cummine	SS	8,706	—	8,706	—	79.25	274.50	17	—	—
	SS	6,877	—	—	6,877	150.50	—	—	01.12.02	01.06.03
N. J. Seel	SS	6,877	—	—	6,877	150.50	—	—	01.12.02	01.06.03
	SS	2,604	—	—	2,604	259.20	—	—	01.12.04	01.06.05
Total		81,135	—	13,059	68,076			25		

The mid-market price of the company's shares at 31st December 2000 was 250p and the range during the year was 201p to 331.5p.

(b) Restricted Share Scheme

The Restricted Share Scheme was adopted in December 1994 to provide longer term incentives to executive directors and some other key senior executives. Participation in this scheme is as follows:

	No. of shares notionally held at 31.12.99	Notionally awarded in the year	Vested in the year	Share price at vesting date (p)	Total value at vesting date (1) £'000	Lapsed in the year (1)	Potential interest in shares at 31.12.00	Share price at date of notional award (p)	Amount charged against profit in the year £'000	Earliest vesting date
J. E. G. Cran	150,092	—	150,092	225.00	338	—	—	133.25	—	—
	119,106	—	—	—	—	—	119,106	201.50	80	06.04.01
	78,544	—	—	—	—	78,544	—	316.25	(83)	—
	—	94,063	—	—	—	94,063	—	328.50	—	—
M. W. G. Collins	34,362	—	—	—	—	—	34,362	316.25	36	06.04.02
	—	29,394	—	—	—	—	29,394	328.50	32	06.04.03
I. S. Cummine	51,500	—	51,500	225.00	116	—	—	133.25	—	—
	29,776	—	—	—	—	—	29,776	201.50	20	06.04.01
	34,362	—	—	—	—	—	34,362	316.25	36	06.04.02
	—	38,801	—	—	—	—	38,801	328.50	43	06.04.03
P. M. Kirby	34,362	—	—	—	—	—	34,362	316.25	36	06.04.02
	—	38,801	—	—	—	—	38,801	328.50	43	06.04.03
N. J. Seel	34,362	—	—	—	—	—	34,362	316.25	36	06.04.02
	—	29,394	—	—	—	—	29,394	328.50	32	06.04.03
Total – directors	566,466	230,453	201,592		454	172,607	422,720		311	
Other executives	68,382	—	—	—	—	—	68,382	201.50	46	06.04.01
	19,434	—	—	—	—	—	19,434	316.25	21	06.04.02
	—	31,236	—	—	—	—	31,236	328.50	34	06.04.03
Total	654,282	261,689	201,592		454	172,607	541,772		412	

REPORT OF THE BOARD ON DIRECTORS' REMUNERATION

LONG TERM INCENTIVES continued

- (i) The entitlement and subsequent vesting of shares is contingent upon pre-determined performance criteria being attained over the period of the scheme, in accordance with the rules of the scheme. In respect of those shares notionally awarded on 1st January 1997, the performance criteria were attained and accordingly the shares vested in the directors and executives on 6th April 2000. In respect of those shares notionally awarded on 1st January 1998, the performance criteria have been attained and the shares will vest in the directors on 6th April 2001.
- (ii) J. E. G. Cran has renounced any entitlement which may have accrued to him prior to his retirement on 31st May 2001 in respect of awards made on 1st January 1999 and 1st January 2000.

On 1st January 2001 notional awards were made as follows:

	No. of shares	Share price at date of notional award (p)	Earliest vesting date
S. P. L. Mahon	120,000	250.00	06.04.04
M. W. G. Collins	39,977	250.00	06.04.04
I. S. Cummine	52,769	250.00	06.04.04
P. M. Kirby	52,769	250.00	06.04.04
N. J. Seel	42,000	250.00	06.04.04
Total – directors	307,515		
Other executives	62,621	250.00	06.04.04
Total	370,136		

To satisfy the notional awards made on 1st January 2001, the Trust acquired a total of 200,000 shares at a price of 251p on 2nd January 2001. These were aggregated with unallocated shares at 31st December 2000 totalling 172,686, leaving 2,550 unallocated shares.



On behalf of the Board

NEIL LEWIS, Chairman of the Remuneration Committee

8th March 2001

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2000

	Notes	Year ended 31st December 2000 £'000	Year ended 31st December 1999 £'000
Turnover	4	768,667	623,599
Cost of sales		518,272	425,237
Gross profit		250,395	198,362
Administrative expenses		186,114	142,333
Profit before taxation and goodwill amortisation		65,123	56,287
Goodwill amortisation	2	842	258
Profit before taxation	2, 4	64,281	56,029
Taxation	5	19,109	16,694
Profit after taxation	3	45,172	39,335
Dividends	6	22,536	19,304
Retained profit for the year	22	22,636	20,031
Earnings per share – basic	9	16.09p	14.09p
– diluted	9	16.06p	14.01p
Earnings per share before goodwill amortisation – basic	9	16.39p	14.18p
– diluted	9	16.36p	14.10p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The only recognised gains and losses for the year are those dealt with in the profit and loss account above.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no material difference between the retained profit for the year as shown above and the historical cost equivalent.

The notes on pages 30 to 48 form part of these accounts

GROUP BALANCE SHEET

As at 31st December 2000

	Notes	31st December 2000 £'000	31st December 1999 £'000
Fixed assets			
Intangible assets	10	34,399	11,161
Tangible assets	11	43,003	34,115
Investments – own shares held	13	1,653	1,857
		79,055	47,133
Current assets			
Customers' accounts receivable:			
Amounts falling due after more than one year		301,300	209,510
Amounts falling due within one year		480,401	395,672
		781,701	605,182
Less: Deferred revenue	14	125,839	104,406
		655,862	500,776
Stocks	15	2,277	1,245
Debtors – amounts falling due after more than one year	16	967	1,021
Debtors – amounts falling due within one year	16	22,926	16,904
Cash at bank and in hand		3,740	2,591
		685,772	522,537
Creditors – amounts falling due within one year	17	210,206	58,018
Net current assets		475,566	464,519
Total assets less current liabilities		554,621	511,652
Creditors – amounts falling due after more than one year	17	394,257	379,218
		160,364	132,434
Provisions for liabilities and charges	5	2,925	851
Net assets	4	157,439	131,583
Capital and reserves			
Called up share capital	19	28,259	28,069
Share premium account	20	14,126	9,859
Reserves	21	286	296
Profit and loss account	22	114,768	93,359
Shareholders' funds	23	157,439	131,583

Approved by the Board on 8th March 2001

Signed
 Barrie Cottingham
 J. Edward G. Cran
 Mark W. G. Collins

} Directors

Barrie Cottingham
Mark W. G. Collins

The notes on pages 30 to 48 form part of these accounts

COMPANY BALANCE SHEET

As at 31st December 2000

	Notes	31st December 2000 £'000	31st December 1999 £'000
Fixed assets			
Tangible assets	11	3,206	2,173
Investment in subsidiary undertakings	12	78,827	61,123
Investments – own shares held	13	1,653	1,857
		83,686	65,153
Current assets			
Debtors – amounts falling due after more than one year	16	967	1,021
Debtors – amounts falling due within one year	16	580,978	435,444
Cash at bank and in hand		4	4
		581,949	436,469
Creditors – amounts falling due within one year	17	177,801	29,887
Net current assets		404,148	406,582
Total assets less current liabilities		487,834	471,735
Creditors – amounts falling due after more than one year	17	392,996	378,381
		94,838	93,354
Provisions for liabilities and charges	5	14	53
Net assets		94,824	93,301
Capital and reserves			
Called up share capital	19	28,259	28,069
Share premium account	20	14,126	9,859
Reserves	21	39,066	39,066
Profit and loss account	22	13,373	16,307
Shareholders' funds		94,824	93,301

Approved by the Board on 8th March 2001

Signed

Barrie Cottingham

J. Edward G. Cran

Mark W. G. Collins

} Directors

The notes on pages 30 to 48 form part of these accounts

GROUP CASH FLOW STATEMENT

For the year ended 31st December 2000

	Notes	Year ended 31st December 2000 £'000	Year ended 31st December 1999 £'000
Cash outflow from operating activities	25	(69,639)	(56,082)
Taxation		(18,005)	(20,126)
Capital expenditure	27	(16,525)	(16,100)
Acquisitions and disposals	27	(24,724)	(14,642)
Equity dividends paid		(18,533)	(15,727)
Cash outflow before use of liquid resources and financing		(147,426)	(122,677)
Financing	27	1,433	124,651
(Decrease)/increase in cash in the period		(145,993)	1,974

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash in the period	(145,993)	1,974
Cash inflow from movement in debt and lease financing	-	(123,136)
Loan notes issued on acquisition of subsidiaries	(16,168)	-
Movement in net debt in the period resulting from cash flows	(162,161)	(121,162)
Accrual for finance cost of debt	(176)	(34)
Net debt at 1st January 2000	(379,007)	(257,811)
Net debt at 31st December 2000	26 (541,344)	(379,007)

The notes on pages 30 to 48 form part of these accounts

NOTES ON THE ACCOUNTS

For the year ended 31st December 2000

1 ACCOUNTING POLICIES

A summary of the principal accounting policies, which have been applied consistently, is set out below.

(a) Accounting convention

The financial statements 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 financial statements of the company and its subsidiary undertakings made up to the end of the financial period. The results of subsidiary 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. Inter-company sales and profits are eliminated on consolidation.

(c) Goodwill

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

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

(d) Turnover

Turnover is exclusive of value added tax and 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.
Debt collection:	Fee and commission income on external debt and gross amounts collected on purchased debt.
Finance leases:	Rentals receivable during the year.
Factoring and trade finance:	Interest and charges receivable on debts factored and import goods financed.

(e) Pension funding

The group operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service life of employees in the scheme. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

The group also operates a defined contribution scheme introduced in 1998. The pension cost in respect of this scheme is the contributions paid.

Payments made to personal pension plans are charged to the profit and loss account in the year of payment.

1 ACCOUNTING POLICIES continued

(f) Deferred revenue

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

(g) Purchase of bulk debt

Purchased debt is included at cost and is normally amortised over a period not exceeding six years at a rate based on the expected recoverability of the debt.

(h) 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.

(i) Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

(j) Stocks

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

(k) Fixed asset investments

Fixed asset investments are included at cost, unless, in the opinion of the directors, a lower market value is likely to be permanent, in which case the deficiency is provided for.

(l) Investments - 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 Scheme and are disclosed as a fixed asset investment in accordance with UITF 13: Accounting for ESOP trusts.

Information in respect of this scheme, together with details of conditional awards of shares under the scheme, is shown in the Report of the Board on Directors' Remuneration on pages 19 to 25.

1 ACCOUNTING POLICIES continued

(m) Tangible fixed assets and depreciation

Depreciation of 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:

Freehold buildings	2% per annum
Long leasehold buildings	2% per annum
Short leasehold expenditure	5% to 20% per annum
Fixtures and equipment	10% to 20% per annum
Computer equipment	20% to 33% per annum
Motor vehicles	20% per annum
Televisions held for rental	20% per annum

FRS 15 'Tangible fixed assets' has been adopted in this year's financial statements. Under the transitional arrangements in the standard, the group has chosen to retain the book values of land and buildings which were previously revalued but not to adopt a policy of revaluations in the future.

The adoption of FRS 15 has resulted in one key change to the depreciation rates applied. In previous years depreciation has not been provided on freehold and long leasehold land and buildings as a regular programme of maintenance and repair was considered to extend the useful life of the properties and as a result any depreciation would not be material. This year, the group has charged depreciation against the carrying value of the buildings, on the basis that the remaining useful economic life of these buildings is assessed as 50 years. There is no corresponding prior year adjustment as this is a change of accounting estimate rather than a change of policy.

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.

Fixed assets are reviewed for impairment where there is any indication that an impairment has occurred, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. Any impairment in value is charged to the revaluation reserve or the profit and loss account as appropriate.

(n) Leasing

(i) As lessor

Assets owned and leased out to customers under operating lease agreements 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.

(ii) As lessee

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

(o) Interest rate hedging

The cost of any premium paid for the purchase of an interest rate cap or collar 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.

Amounts payable or receivable in respect of derivative financial instruments are recognised as adjustments to interest expense over the period of the contracts.

2 PROFIT BEFORE TAXATION

The profit before taxation for the year is stated after charging/(crediting):	2000 £'000	1999 £'000
Interest on borrowings (in cost of sales) – bank loans and overdrafts	20,372	17,771
– other loans	10,828	1,629
Depreciation – on tangible fixed assets held under finance leases and hire purchase contracts	–	5
– on other tangible fixed assets	9,211	5,907
Amortisation of goodwill	842	258
Loss/(profit) on disposal of tangible fixed assets	89	(209)
Finance lease charges	–	1
Operating lease rentals – land and buildings	2,957	2,295
– plant and machinery	302	259
Auditors' remuneration – as auditors	285	211
– for tax compliance and advice	78	112
– for other services	56	116
Directors' emoluments (note 7)	1,649	1,308
Pensions to former directors	14	17
Allocations to employee share incentive schemes	1,512	1,015

Auditors' remuneration, for audit services, includes £31,000 (1999: £31,000) in respect of the parent undertaking.

3 HOLDING COMPANY PROFIT AND LOSS ACCOUNT

The group profit includes £20,839,000 (1999: £19,671,000) dealt with in the financial statements of the company. 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

	Turnover £'000	2000 Profit before taxation £'000	Net assets £'000	Turnover £'000	1999 Profit before taxation £'000	Net assets £'000
Consumer credit	719,523	64,239	106,470	577,192	54,025	83,096
Corporate services	49,085	3,909	13,181	46,338	5,023	11,958
	768,608	68,148	119,651	623,530	59,048	95,054
Group costs and services	59	(3,867)	37,788	69	(3,019)	36,529
	768,667	64,281	157,439	623,599	56,029	131,583

Profit before taxation in the consumer credit and corporate services divisions is analysed by operating unit as follows:

	2000 £'000	1999 £'000
Shopacheck	31,201	28,753
Welcome	31,957	24,199
Lewis	1,081	1,073
Cattles Commercial	2,508	2,346
Reedham	1,401	2,677
	68,148	59,048

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 is as follows:

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999: 30.25%)	17,372	16,301
Deferred taxation	2,051	585
	<u>19,423</u>	<u>16,886</u>
Adjustment in respect of previous years:		
Corporation tax	(337)	(157)
Deferred taxation	23	(35)
	<u>19,109</u>	<u>16,694</u>

The charge for the year was reduced by £371,000 (1999: £69,000) as a result of the contribution made to the Cattles QUEST to satisfy the exercise of SAYE share options by employees under the Cattles Employee Sharesave Scheme.

The amounts of deferred taxation provided and unprovided in the accounts are as follows:

	Provided		Unprovided	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Group				
Capital allowances	187	(407)	-	-
Revaluation surplus and rollover relief	-	-	80	80
Other timing differences	2,738	1,258	-	-
	<u>2,925</u>	<u>851</u>	<u>80</u>	<u>80</u>
Company				
Capital allowances	52	67	-	-
Other timing differences	(38)	(14)	-	-
	<u>14</u>	<u>53</u>	<u>-</u>	<u>-</u>

The movement in the deferred taxation liability during the year was as follows:

	Group £'000	Company £'000
As at 1st January 2000	851	53
Profit and loss account charge/(credit)	2,074	(39)
As at 31st December 2000	<u>2,925</u>	<u>14</u>

6 DIVIDENDS

The following dividends have been paid or are proposed in respect of the year:

	2000 £'000	1999 £'000
Interim 2.62p per share (1999: 2.27p)	7,366	6,347
Proposed final 5.38p per share (1999: 4.63p)	15,170	12,957
	<u>22,536</u>	<u>19,304</u>

Dividends of £68,000 (1999: £61,000) have been waived by the trustee of the Employee Benefit Trust in respect of those shares held under the Restricted Share Scheme.

7 EMPLOYEES AND DIRECTORS' COSTS

	2000 £'000	1999 £'000
Employees		
Wages and salaries	55,185	44,050
Social security costs	5,096	3,748
Cattles pension scheme costs (note 8)	1,885	2,004
Other defined contribution pension scheme costs	731	460
Allocations to share incentive schemes	1,512	1,015
Total employment costs	64,409	51,277
Directors		
Emoluments (included above)	1,649	1,308
Benefits in kind	76	71
Contributions to money purchase pension schemes	34	19
Gains made on exercise of share options	25	82
Shares vested under the long term restricted share scheme	454	-

The highest paid director in both years was Mr J. E. G. Cran. A detailed analysis of all directors' emoluments, including salaries, benefits in kind, performance related bonuses, share options, long term incentives and pension arrangements, is provided in the Report of the Board on Directors' Remuneration on pages 22 to 25 and forms part of these financial statements.

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

	2000 Number	1999 Number
Consumer credit	3,234	2,802
Corporate services	137	148
Group operations	145	119
Total	3,516	3,069

8 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 an independent qualified actuary using the projected unit method. Except in certain circumstances, this scheme was closed to new entrants from 1998.

Actuarial valuations are normally carried out triennially, the most recent valuation being as at 31st March 1998. At that date the market value of the assets of the scheme was £27,850,000 (excluding assets relating to members' additional voluntary contributions), representing 87 per cent of the market-related 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 equity dividend growth. For the valuation, it was assumed that the investment return would exceed price inflation by 4.1 per cent per annum, salary increases would exceed price inflation by 1.9 per cent per annum, and dividend growth would exceed price inflation by 0.5 per cent per annum. These assumptions have also been used to calculate the pension cost for accounting purposes.

The funding shortfall disclosed has been spread over 10 years, representing the average expected future working lives of scheme members, using the 'straight line' method.

Cumulatively, pension cost has exceeded the group's contributions by £911,000 (1999: £717,000) and a provision has therefore been made in these financial statements in respect of this amount.

8 PENSION COSTS continued

The group charge for pension cost for this scheme for the year was £1,885,000 (1999: £2,004,000).

The group also operates a defined contribution group personal pension scheme for new employees and existing employees who are not members of the defined benefit pension scheme. The pension cost in respect of this scheme is the cash contribution paid.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding 'own shares held' (note 13) which are treated, for this purpose, as being cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

Supplementary basic and diluted earnings per share have been disclosed which exclude the effect of goodwill amortisation.

	Earnings £'000	2000 Weighted average number of shares '000	Per-share amount pence	Earnings £'000	1999 Weighted average number of shares '000	Per-share amount pence
Basic EPS	45,172	280,751	16.09	39,335	279,257	14.09
Effect of dilutive securities – Options	–	535	(0.03)	–	1,538	(0.08)
Diluted EPS	45,172	281,286	16.06	39,335	280,795	14.01
Supplementary EPS:						
Basic EPS	45,172	280,751	16.09	39,335	279,257	14.09
Goodwill amortisation	842	–	0.30	258	–	0.09
Basic EPS before goodwill amortisation	46,014	280,751	16.39	39,593	279,257	14.18
Effect of dilutive securities – Options	–	535	(0.03)	–	1,538	(0.08)
Diluted EPS before goodwill amortisation	46,014	281,286	16.36	39,593	280,795	14.10

10 INTANGIBLE FIXED ASSETS

Group	Goodwill £'000
Cost at 1st January 2000	11,475
Additions (note 30)	23,938
Acquired with acquisitions	472
Cost at 31st December 2000	35,885
Amortisation at 1st January 2000	314
Charge for the year	842
Acquired with acquisitions	330
Amortisation at 31st December 2000	1,486
Net book amount at 31st December 2000	34,399
Net book amount at 31st December 1999	11,161

Additions during the period are being amortised over 20 years.

11 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 1st January 2000	55,034	5,779	242	4,255	40,670	4,088
Additions	18,016	844	-	1,516	14,075	1,581
Arising on acquisitions	2,694	267	-	-	2,124	303
Eliminated in respect of disposals	(4,194)	(78)	-	(25)	(3,250)	(841)
Cost or valuation at 31st December 2000	71,550	6,812	242	5,746	53,619	5,131
Depreciation at 1st January 2000	20,919	-	-	2,160	16,450	2,309
Charge for the year	9,271	89	3	604	7,912	603
Arising on acquisitions	1,031	24	-	-	1,007	-
Eliminated in respect of disposals	(2,614)	-	-	(22)	(2,059)	(533)
Depreciation at 31st December 2000	28,547	113	3	2,742	23,310	2,379
Net book amount at 31st December 2000	43,003	6,699	239	3,004	30,309	2,752
Net book amount at 31st December 1999	34,115	5,779	242	2,095	24,220	1,779
Historical cost of revalued assets:						
As at 31st December 2000	4,164	4,028	100	36		
As at 31st December 1999	4,232	4,096	100	36		
Company						
Cost at 1st January 2000	3,173	-	-	241	2,932	-
Additions	1,613	-	-	-	1,613	-
Group transfers	334	360	-	-	(26)	-
Eliminated in respect of disposals	(222)	-	-	-	(222)	-
Cost at 31st December 2000	4,898	360	-	241	4,297	-
Depreciation at 1st January 2000	1,000	-	-	106	894	-
Charge for the year	833	6	-	34	793	-
Group transfers	(7)	-	-	-	(7)	-
Eliminated in respect of disposals	(134)	-	-	-	(134)	-
Depreciation at 31st December 2000	1,692	6	-	140	1,546	-
Net book amount at 31st December 2000	3,206	354	-	101	2,751	-
Net book amount at 31st December 1999	2,173	-	-	135	2,038	-
Tangible fixed assets include valuations as follows:						
Group	Total £'000	1995 £'000	1984 £'000	1978 £'000		
Freehold	4,020	4,020	-	-		
Long leasehold land and buildings	242	242	-	-		
Short leasehold land and buildings	45	-	25	20		

The freehold and leasehold properties with 50 or more years unexpired, owned and/or occupied by Cattles plc and its subsidiary undertakings, were valued independently on the basis of 'existing use value', except those premises held as investments 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.

FRS 15 'Tangible fixed assets' has been adopted in this year's financial statements. Under the transitional arrangements in the standard, the group has chosen to retain the book values of land and buildings which were previously revalued but not to adopt a policy of revaluations in the future.

12 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. The principal operating subsidiary undertakings are listed on page 51.

	£000
Shares at cost:	
At 1st January 2000	63,237
Additions	17,704
At 31st December 2000	80,941
Provision for diminution in value:	
At 1st January 2000 and 31st December 2000	(2,114)
Net book value at 31st December 2000	78,827
Net book value at 31st December 1999	61,123

13 INVESTMENTS - OWN SHARES HELD

Group and Company	Shares held in Trust Number	Nominal value £000	Cost £000
At 1st January 2000	912,350	91	1,857
Shares purchased	3,700	—	12
Awarded by the Trust	(201,592)	(20)	(216)
At 31st December 2000	714,458	71	1,653

As at 31st December 2000 the market value of the shares held in the Trust was £1,786,000 (1999: £2,997,000).

All costs relating to the scheme 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 0.005p per share on all shares held.

14 CUSTOMERS' ACCOUNTS RECEIVABLE

Gross customers' accounts receivable were in respect of:

Group	2000 £'000	1999 £'000
Hire purchase contracts	328,157	274,834
Other instalment credit agreements	433,630	300,682
Finance leases	24,047	19,424
Factoring debts	31,631	39,779
Purchased debt	24,175	17,533
	<hr/> 841,640	<hr/> 652,252
Less: Provision for bad and doubtful debts	59,939	47,070
	<hr/> 781,701	<hr/> 605,182

Customers' accounts receivable, after deducting provisions for bad and doubtful debts, is analysed by operating unit as follows:

Shopacheck	193,103	146,446
Welcome	480,592	358,165
Lewis	24,175	17,533
Cattles Commercial	54,888	45,841
Reedham	28,943	37,197
	<hr/> 781,701	<hr/> 605,182

The charge for bad and doubtful debts in the profit and loss account is analysed as follows:

Consumer credit	54,252	39,495
Corporate services	2,920	2,413
	<hr/> 57,172	<hr/> 41,908

The aggregate instalments and rentals receivable during the year were:

In respect of hire purchase contracts	150,681	120,390
In respect of finance leases	15,006	12,548
In respect of operating leases	2,740	2,276

The costs of assets acquired during the year were:

For the purpose of hire purchase contracts	148,379	126,813
For letting under finance leases	16,480	12,885

15 STOCKS

Group	2000 £'000	1999 £'000
Goods for resale	2,277	1,245

NOTES ON THE ACCOUNTS

16 DEBTORS

	2000 £'000	Group 1999 £'000	2000 £'000	Company 1999 £'000
Amounts falling due after more than one year:				-
Prepayments and accrued income	967	1,021	967	1,021
Amounts falling due within one year:				
Trade debtors	3,881	2,109	-	-
Amounts owed by group undertakings	-	-	578,154	431,567
Other debtors	878	337	145	67
Prepayments and accrued income	18,167	14,458	2,679	3,810
	<u>22,926</u>	<u>16,904</u>	<u>580,978</u>	<u>435,444</u>

17 CREDITORS

	2000 £'000	Group 1999 £'000	2000 £'000	Company 1999 £'000
Amounts falling due within one year:				
Bank borrowings (note 18)	136,631	3,739	136,631	3,739
Debenture loans (note i)	16,168	-	16,168	-
Trade creditors	16,912	17,827	134	27
Amounts owed to group undertakings	-	-	5,608	8,863
Corporation tax	9,696	10,352	-	-
Other taxes and social security	2,962	2,504	371	261
Employee benefit trust	316	217	316	217
Deferred purchase consideration	23	-	-	-
Other creditors	2,891	1,813	1,163	864
Accruals	9,437	8,612	2,240	2,962
Dividends	15,170	12,954	15,170	12,954
	<u>210,206</u>	<u>58,018</u>	<u>177,801</u>	<u>29,887</u>
Amounts falling due after more than one year:				
Bank borrowings (note 18)	268,500	254,250	268,500	254,250
Debenture loans and other borrowings (note ii)	123,785	123,609	123,785	123,609
Other taxes and social security	91	48	91	48
Pension costs provision (note 8)	911	717	-	-
Employee benefit trust	491	395	491	395
Accruals	479	199	129	79
	<u>394,257</u>	<u>379,218</u>	<u>392,996</u>	<u>378,381</u>

- (i) Debenture loans falling due within one year represent £10,998,000 6.33 per cent unsecured loan notes redeemable at par between 30th June 2001 and 31st December 2002 and £5,170,000 6 per cent unsecured loan notes redeemable at par between 31st July 2001 and 31st December 2002.
- (ii) Debenture loans and other borrowings falling due after more than one year represent the Eurosterling Bond which has a par value of £125 million but was issued at a 1.14 per cent discount, realising net proceeds of £123.6 million. The total cost for accrued finance charges of £1,425,000 is being charged evenly to the profit and loss account over the eight year term of the Bond. The Bond is shown in the balance sheet at the discounted issue value plus accrued finance charges as at 31st December 2000. The Bond is redeemable at par in December 2007.

18 FINANCIAL INSTRUMENTS

The group's policies regarding the use of derivative financial instruments are set out in the Report of the Directors on page 15 and the accounting policies note on page 32.

(1) Maturity and interest rate profile

All of the group's borrowings are in sterling. The earliest maturity of primary financial instruments held or issued to finance the group's operations together with their interest rate risk profile is set out in the tables and accompanying notes below:

	Floating rate £'000	Fixed rate (note 17) £'000	Total £'000	Weighted average fixed interest rate %	Weighted average period for which rate fixed (Years)
As at 31st December 2000:					
Within one year	136,631	16,168	152,799	6.22	0.5
Over one year and up to two years	104,500	—	104,500	—	—
Over two years and up to three years	104,000	—	104,000	—	—
Over three years and up to four years	60,000	—	60,000	—	—
Over six years and up to seven years	—	125,000	125,000	8.63	6.9
	405,131	141,168	546,299	8.35	6.2
Effect of conventional swaps	(160,000)	160,000	—	6.30	4.4
	245,131	301,168	546,299	7.26	5.2
As at 31st December 1999:					
Within one year	3,739	—	3,739	—	—
Over one year and up to two years	126,500	—	126,500	—	—
Over two years and up to three years	10,750	—	10,750	—	—
Over three years and up to four years	77,000	—	77,000	—	—
Over four years and up to five years	40,000	—	40,000	—	—
Over seven years and up to eight years	—	125,000	125,000	8.63	7.9
	257,989	125,000	382,989	8.63	7.9
Effect of conventional swaps	(55,000)	55,000	—	6.11	3.6
	202,989	180,000	382,989	7.86	6.6

At 31st December 2000, the group held conventional interest rate swaps covering floating rate borrowings of £160 million, effectively fixing the associated cost of interest at rates between 5.2 per cent and 6.8 per cent. In addition, the group held caps and collars covering a further £105 million in total, tranches of which are allowed to float at rates between floors of mainly 6 per cent and caps of between 5.5 per cent and 8 per cent.

18 FINANCIAL INSTRUMENTS continued

The bank facilities available to the group at 31st December 2000 were:

Type	Total facility £'000	Undrawn committed facility £'000	Matures
Overdraft	13,250	8,619	Renewable annually
Syndicate	105,000	45,000	August 2001
Syndicate	80,000	8,000	December 2001
Syndicate	125,000	35,000	December 2002
Syndicate	122,000	3,500	£15 million October 2002, £107 million October 2003
Syndicate	60,000	-	June 2004
	<u>505,250</u>	<u>100,119</u>	

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.

(ii) Interest rate hedging

At 31st December 2000 the notional principal amount of all derivative financial instruments held to manage the interest rate profile was £290 million comprising £105 million of caps and collars together with £160 million of conventional swaps and a £25 million callable swap.

Hedging arrangements contracted for at 31st December 2000 and effective at the commencement of each financial year and their effective base rate equivalent in the event that actual bank base rates are 5, 6, or 7 per cent are set out below:

As at 1st January	Notional principal amount £'000	Effective rate at Bank Base Rates of:		
		5%	6%	7%
2001	290,000	5.8%	6.0%	6.2%
2002	270,000	5.7%	5.9%	6.1%
2003	230,000	5.5%	5.7%	5.8%
2004	220,000	5.5%	5.7%	5.7%
2005	170,000	6.2%	6.4%	6.6%

The bank base rate at 31st December 2000 was 6 per cent.

18 FINANCIAL INSTRUMENTS continued

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging, and the movements therein, are as follows:

	Gains £'000	Losses £'000	Total net gains/losses £'000
Unrecognised gains and losses at 1st January 2000	2,903	(210)	2,693
Gains and losses arising in previous years that were recognised in the year	460	(118)	342
Gains and losses arising before 1st January 2000 that were not recognised in the year	2,443	(92)	2,351
Gains and losses arising in the year that were not recognised in the year	(2,269)	(3,113)	(5,382)
Gains and losses arising before 1st January 2000 and during 2000 that were not recognised in the year	174	(3,205)	(3,031)
Transfer of loss position at 31st December 2000	355	(355)	-
Unrecognised gains and losses on hedges at 31st December 2000	529	(3,560)	(3,031)
Gains and losses expected to be recognised in the next financial year	179	(874)	(695)
Gains and losses expected to be recognised after the next financial year	350	(2,686)	(2,336)

(iii) Fair values

The estimated fair value of financial assets and financial liabilities at 31st December 2000 was:

	Book value £'000	2000 Fair value £'000	Book value £'000	1999 Fair value £'000
Hedging contracts:				
Interest rate caps	1,724	334	2,035	1,014
Interest rate collars	296	(151)	249	80
Interest rate swaps	-	(3,214)	-	1,599
Cash/overdraft	(891)	(891)	(1,148)	(1,148)
Bank borrowings	(400,500)	(400,596)	(254,250)	(255,194)
Debenture loans (note 17)	(139,953)	(140,766)	(123,609)	(125,944)
Customers' accounts receivable net of deferred revenue due after more than one year	257,924	257,924	176,617	176,617

Short term debtors and creditors falling due within one year which would otherwise meet the definition of a financial asset or liability under FRS 13 'Derivatives and other financial instruments: disclosures' have been excluded from the above table except for bank overdraft and interest rate caps and collars which mature in less than one year.

The fair values of cash at bank and bank overdrafts approximate to book value due to their relatively short maturity.

The fair values of longer term bank borrowings, debenture loans, related derivative financial instruments and customers' accounts receivable are estimated by discounting the associated future cash flows to net present values using appropriate market rates prevailing at 31st December 2000.

NOTES ON THE ACCOUNTS

19 SHARE CAPITAL

	Number	£000
Authorised: Ordinary shares of 10p each	400,000,000	40,000
Allotted, called up and fully paid:		
As at 1st January 2000	280,686,116	28,069
Exercise of options	697,062	70
Employee share incentive scheme allocation	400,363	40
Scrip dividends	804,056	80
As at 31st December 2000	282,587,597	28,259

Outstanding options under the Cattles Executive Share Option Scheme (1994) ('ESOS 94'), the Cattles Executive Share Option Scheme (1996) ('ESOS 96') and the Cattles Employee Sharesave Scheme ('SS') at 31st December 2000 were as follows:

Option scheme	Date granted	As at 31.12.99	Granted in year	Exercised in year	Lapsed in year	As at 31.12.00	Exercise price	Date from which exercisable	Expiry date
ESOS 94	25.04.95	40,000	-	40,000	-	-	80.25p	25.04.98	25.04.05
ESOS 94	11.10.95	60,000	-	-	-	60,000	96.95p	11.10.98	11.10.05
ESOS 94	01.05.96	44,000	-	-	-	44,000	130.65p	01.05.99	01.05.06
ESOS 94	03.10.96	22,000	-	-	-	22,000	131.25p	03.10.99	03.10.06
ESOS 94	05.09.97	69,600	-	-	-	69,600	171.50p	05.09.00	05.09.07
ESOS 94	12.10.98	152,000	-	-	-	152,000	241.35p	12.10.01	12.10.08
ESOS 94	31.03.99	296,000	-	-	28,000	268,000	363.95p	31.03.02	31.03.09
ESOS 94	05.10.99	82,000	-	-	9,000	73,000	326.40p	05.10.02	05.10.09
ESOS 94	10.04.00	-	125,000	-	4,000	121,000	220.10p	10.04.03	10.04.10
ESOS 94	02.10.00	-	70,000	-	-	70,000	245.70p	02.10.03	02.10.10
		765,600	195,000	40,000	41,000	879,600			
ESOS 96	16.05.96	18,000	-	-	-	18,000	134.45p	16.05.99	16.05.06
ESOS 96	04.10.96	18,000	-	-	-	18,000	131.70p	04.10.99	04.10.06
ESOS 96	08.09.97	46,400	-	-	-	46,400	171.25p	08.09.00	08.09.07
ESOS 96	13.10.98	38,000	-	-	-	38,000	241.75p	13.10.01	13.10.08
ESOS 96	01.04.99	263,000	-	-	-	263,000	361.35p	01.04.02	01.04.09
ESOS 96	06.10.99	2,000	-	-	1,000	1,000	326.60p	06.10.02	06.10.09
ESOS 96	11.04.00	-	5,000	-	-	5,000	226.60p	11.04.03	11.04.10
		385,400	5,000	-	1,000	389,400			
SS	16.10.95	761,936	-	649,471	18,851	93,614	79.25p	01.12.00	01.06.01
SS	16.10.97	896,352	-	7,591	64,160	824,601	150.50p	01.12.02	01.06.03
SS	06.10.99	1,033,299	-	-	166,758	866,541	259.20p	01.12.04	01.06.05
		2,691,587	-	657,062	249,769	1,784,756			
Total		3,842,587	200,000	697,062	291,769	3,053,756			

Details of the directors' interests in share options and the issued shares of the company are shown in the Report of the Board on Directors' Remuneration on pages 23 to 25.

20 SHARE PREMIUM ACCOUNT

	Group and Company £'000
As at 1st January 2000	9,859
Premium on shares issued in respect of option schemes	1,734
Premium on shares issued in respect of employee share incentive schemes	840
Premium on scrip dividends	1,707
Expenses relating to the issue of new shares	(14)
As at 31st December 2000	14,126

21 RESERVES

	Group £'000	Company £'000
Capital reduction reserve:		
As at 1st January 2000 and 31st December 2000	—	8,840
Merger reserve:		
As at 1st January 2000 and 31st December 2000	—	4,226
Special reserve:		
As at 1st January 2000 and 31st December 2000	—	26,000
Revaluation reserve:		
As at 1st January 2000	296	—
Eliminated in respect of disposals	10	—
As at 31st December 2000	286	—
Total as at 31st December 2000	286	39,066

22 PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
As at 1st January 2000	93,359	16,307
Elimination of previous revaluation surpluses on property disposals	10	—
Contribution to QUEST (i)	(1,237)	(1,237)
Retained profit/(loss) for the year	22,636	(1,697)
As at 31st December 2000	114,768	13,373

(i) £1,772,000 less monies received from employees in respect of the issue of shares under the Cattles Employee Sharesave Scheme.

Cumulative goodwill relating to acquisitions made prior to 1998, excluding subsequent disposals, written off against reserves since 1st January 1989 amounted to £52,993,000. The directors do not consider it practicable to extract information in respect of earlier periods.

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £'000	1999 £'000
Profit for the year after taxation	45,172	39,335
Dividends	(22,536)	(19,304)
Contribution to QUEST (note 22)	(1,237)	(229)
Increase in share capital and share premium account	4,457	3,367
	25,856	23,169
Shareholders' funds as at 1st January 2000	131,583	108,414
Shareholders' funds as at 31st December 2000	157,439	131,583

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

	2000 £'000	1999 £'000
Fair value of assets acquired (note 30)	17,107	6,175
Goodwill	23,938	8,137
Consideration including costs of acquisition	41,045	14,312
Less: Loan notes	(16,168)	-
Deferred consideration	(23)	330
Cash consideration per cash flow statement (note 27)	24,854	14,642

— The deferred consideration paid in 1999 relates to the acquisition of a subsidiary undertaking in 1997.

25 RECONCILIATION OF PROFIT BEFORE TAXATION
TO OPERATING CASH FLOWS

	2000 £'000	1999 £'000
Profit before taxation	64,281	56,029
Depreciation charges	9,211	5,912
Amortisation of goodwill	842	258
Loss/(profit) on disposal of tangible fixed assets	89	(209)
Increase in stocks	(906)	(418)
Increase in debtors and customers' accounts receivable	(144,240)	(123,541)
Increase in creditors	1,084	5,887
Net cash outflow from operating activities	(69,639)	(56,082)

26 ANALYSIS OF NET DEBT

	1st January 2000 £'000	Cash flow £'000	Non-cash changes £'000	31st December 2000 £'000
Cash at bank and in hand	2,591	1,149	-	3,740
Overdrafts	(3,739)	(892)	-	(4,631)
		257		
Debt due after more than one year	(254,250)	(14,250)	-	(268,500)
Debt due within one year	-	(132,000)	-	(132,000)
Debentures and other loan capital due after more than one year	(123,609)	-	(176)	(123,785)
Debenture loans due within one year	-	(16,168)	-	(16,168)
		(162,418)		
	(379,007)	(162,161)	(176)	(541,344)

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

	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Capital expenditure:				
Purchase of tangible fixed assets	(18,016)		(18,375)	
Sale of tangible fixed assets	1,491		2,275	
Net cash outflow for capital expenditure		(16,525)		(16,100)
Acquisitions and disposals:				
Purchase of businesses and subsidiary undertakings	(24,854)		(14,642)	
Net cash acquired with subsidiaries	130		-	
Net cash outflow for acquisitions and disposals		(24,724)		(14,642)
Financing:				
Issue of ordinary share capital		1,447		1,574
Expenses of share capital issues		(14)		(59)
Issue of debentures and other loan capital	-		123,575	
Debenture loan repayments	-		(431)	
Capital element of finance lease rental payments	-		(8)	
		-		123,136
Net cash inflow from financing		1,433		124,651

28 OPERATING LEASE OBLIGATIONS

At 31st December 2000 the group had the following commitments for the year ending 31st December 2001 in respect of non-cancellable operating leases, relating to land and buildings, which expire:

	2000 £'000	1999 £'000
Within one year	483	587
In two to five years	932	772
After five years	1,707	890
	3,122	2,249

29 CAPITAL COMMITMENTS

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Capital expenditure authorised and contracted but not provided for	1,830	2,452	253	549

30 ACQUISITIONS AND GOODWILL

During the year the group made a number of acquisitions, none of which were individually significant:	Book value £'000	Fair value adjustment – revaluation £'000	Fair value £'000
Intangible fixed assets	142	–	142
Tangible fixed assets	1,663	–	1,663
Customers' accounts receivable	17,359	(650)	16,709
Stocks	126	–	126
Debtors	105	–	105
Cash at bank and in hand	502	–	502
Creditors	(1,454)	–	(1,454)
Taxation	(314)	–	(314)
Bank overdraft	(372)	–	(372)
	<u>17,757</u>	<u>(650)</u>	<u>17,107</u>

Satisfied by:

Loan notes	16,168
Cash	24,854
Deferred consideration	23
	<u>41,045</u>
Goodwill (note 10)	<u>23,938</u>

The group acquired the whole of the issued share capital of Macadam Finance Limited on 6th April 2000, P. L. Schofield Limited on 15th November 2000 and J. H. Evans Limited on 21st December 2000. These acquisitions have been accounted for using the acquisition method of accounting. In addition, the group has made a number of acquisitions of business assets.

31 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 amounted to £426,000 (1999: £519,000).

A subsidiary undertaking has entered into letter of credit transactions in the normal course of business.

The value contracted at 31st December 2000 amounted to £491,000 (1999: £701,000).

The company remains as guarantor of a proportion of the leases of properties held and utilised by Homestyle Group plc (formerly Rosebys PLC) entered into when that company was a wholly owned subsidiary undertaking. The maximum liability under these guarantees amounted to £2,229,000 (1999: £2,525,000).

32 POST BALANCE SHEET EVENT

On 8th March 2001 the group placed approximately 14 million shares. The proceeds raised will be used to refinance acquisitions made towards the end of 2000, reduce borrowings and provide additional working capital.

We have audited the financial statements which comprise the Group Profit and Loss Account, the Balance Sheets, the Group Cash Flow Statement and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement, the Chief Executive's Review, the Report of the Directors (including the corporate governance statement) and the Report of the Board on Directors' Remuneration.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

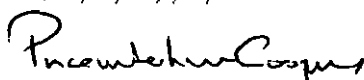
BASIS OF AUDIT OPINION

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 2000 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.



PricewaterhouseCoopers,
Chartered Accountants and Registered Auditors,
Benson House,
33 Wellington Street,
Leeds LS1 4JP

8th March 2001

FIVE YEAR SUMMARY

Year ended 31st December:	2000 £'000	1999 £'000	1998 £'000	1997 £'000	1996 £'000
Trading results					
Turnover	768,667	623,599	496,458	375,355	333,186
Profit before goodwill amortisation and exceptional items	65,123	56,287	47,765	39,609	33,864
Goodwill amortisation	842	258	56	—	—
Exceptional profit	—	—	—	15,501	—
Profit before taxation	64,281	56,029	47,709	55,110	33,864
Taxation	19,109	16,694	14,077	17,175	10,774
Available group profit	45,172	39,335	33,632	37,935	23,090
Dividends	22,536	19,304	16,430	13,461	11,315
Retained profit	22,636	20,031	17,202	24,474	11,775
Net funds employed					
Intangible fixed assets	34,399	11,161	3,282	—	—
Tangible fixed assets	43,003	34,115	22,936	20,225	17,708
Investments	—	—	—	—	7,363
Own shares held	1,653	1,857	1,117	1,764	1,682
Current assets	685,772	522,537	393,036	285,053	241,146
Current liabilities	764,827	569,670	420,371	307,042	267,899
	210,206	58,018	55,172	57,612	54,868
Total assets less current liabilities	554,621	511,652	365,199	249,430	213,031
Creditors – due after one year	394,257	379,218	256,484	161,607	141,612
Provisions for liabilities and charges	160,364	132,434	108,715	87,823	71,419
	2,925	851	301	249	—
Net assets	157,439	131,583	108,414	87,574	71,419
Capital and reserves					
Called up share capital	28,259	28,069	13,966	13,834	13,726
Share premium account	14,126	9,859	20,595	13,803	11,537
Reserves	286	296	296	343	2,142
Profit and loss account	114,768	93,359	73,557	59,594	44,014
Shareholders' funds	157,439	131,583	108,414	87,574	71,419
Earnings per share					
– basic	16.09p	14.09p	12.14p*	13.88p*	8.48p*
– diluted	16.06p	14.01p	12.07p*	13.77p*	
Earnings per share before goodwill amortisation and exceptional items					
– basic	16.39p	14.18p	12.16p*	10.03p*	8.48p*
– diluted	16.36p	14.10p	12.09p*	9.95p*	

* restated for 1999 capitalisation issue

PRINCIPAL OPERATING SUBSIDIARY UNDERTAKINGS

SUBSIDIARY UNDERTAKINGS

PRINCIPAL ACTIVITY

CONSUMER CREDIT

Shopacheck Financial Services Ltd	Weekly home collected credit
Ewbanks Mail Order Ltd	Merchandise support for weekly home collected credit
Teleplan Rentals Ltd	Television and VCR rental
Welcome Financial Services Ltd	Monthly instalment loans and hire purchase credit
Welcome Retail Services Ltd	Retailer introduced monthly instalment credit
Lewis Group Nominees Ltd	Debt collection and investigation services

CORPORATE SERVICES

Cattles Commercial Finance Ltd	Hire purchase credit
Cattles Commercial Leasing Ltd	Equipment leasing
Cattles Invoice Finance Ltd (formerly Reedham Factors Ltd)	Invoice factoring
Cattles Invoice Finance (Oxford) Ltd (formerly Argent Commercial Services Ltd)	Invoice factoring
Cattles Trade Finance Ltd (formerly Reedham Trade Finance Ltd)	Trade and import financing

GROUP SERVICES

Cattles Properties Ltd	Property services to the group
------------------------	--------------------------------

All the above companies are wholly owned. They are registered in England with the exception of Lewis Group Nominees Limited which is registered in Scotland.

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

NOTICE OF MEETING

Notice is given that the forty-sixth annual general meeting of Cattles plc will be held at the Cedar Court Hotel, (formerly the Hilton National Hotel), Ainley Top, Huddersfield, West Yorkshire, HD3 3RH, on Thursday 3rd May 2001 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

- 1 To receive the directors' report and audited financial statements in respect of the year ended 31st December 2000. (Resolution 1)
- 2 To declare the proposed final dividend. (Resolution 2)
- 3 To elect directors.
The following director, appointed since the forty-fifth annual general meeting will be proposed for election:
S. P. L. Mahon (Resolution 3(a))
The following directors, retiring by rotation, will be proposed for re-election:
I. S. Cummine (Resolution 3(b))
P. M. Kirby (Resolution 3(c))
The following person will be proposed for election:
N. Broadhurst (Resolution 3(d))
- 4 To re-appoint PricewaterhouseCoopers 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 resolution which will be proposed as a SPECIAL RESOLUTION:

- 5 That:
 - (a) the directors of the company be 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 authority conferred by resolution 7 passed at the annual general meeting of the company held on 29th April 1999 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 £1,483,622;
 - (b) the power conferred by this resolution 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 conferred by this resolution 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 conferred by this resolution had not expired; and
- (d) the power conferred by resolution 5 passed at the annual general meeting of the company held on 4th May 2000 is revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this resolution. (Resolution 5)

By order of the Board,

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

2nd April 2001

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 registrar not later than 12.00 noon on Tuesday, 1st May 2001.
- (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 am on 3rd May 2001 until the conclusion of the meeting.
- (iv) The proposed dividend, if approved, will be paid on 11th May 2001.

EXPLANATION OF RESOLUTIONS

RESOLUTION 1

The directors must present to shareholders the Report of the Directors and the financial statements for the company for the year ended 31st December 2000.

RESOLUTION 2

A final dividend of 5.38p per share is proposed and, if approved, will be paid on 11th May 2001 to shareholders on the register on 23rd March 2001.

RESOLUTIONS 3

Resolution 3(a)

Mr S. P. L. Mahon, having been appointed a director since the previous annual general meeting, is required to be re-appointed at this annual general meeting.

Resolutions 3(b)(c)

At each annual general meeting one third of the directors or, if their number is not a multiple of three, then the number nearest to but not less than one third, are required to retire from office. This excludes Mr S. P. L. Mahon who, having been appointed since the previous annual general meeting, is proposed for re-appointment at this annual general meeting, but includes Mr N. Lewis who retires at the annual general meeting and is not seeking re-election. Directors due to retire by rotation are those who have been longest in office since they were last elected and so that as between persons who were last elected on the same day those due to retire shall (unless they otherwise agree among themselves) be determined by lot. Mr I. S. Cummine and Mr P. M. Kirby retire by rotation and are offering themselves for re-election.

Resolution 3(d)

Mr N. Broadhurst is proposed for election as a director on the recommendation of the Board of directors of the company.

RESOLUTION 4

The auditors of the company must be re-appointed at each meeting at which accounts are presented. Resolution 4 proposes the re-appointment of PricewaterhouseCoopers. The resolution also gives the directors authority to agree the remuneration to be paid to the auditors.

RESOLUTION 5

This is a special resolution 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) of the Companies Act 1985 in connection with a rights issue or otherwise up to a maximum nominal amount of £1,483,622, being 5 per cent of the company's issued share capital as at 15th March 2001.