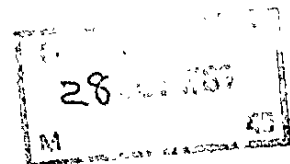


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PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

ACCOUNTS
for the year ended
31ST DECEMBER 1988



PROVIDENT DIRECT SALES (HOLDINGS) LIMITED
(formerly Provident Direct Sales Limited)

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1988

1 The directors present herewith the audited accounts for the year ended 31st December 1988.

Change of name

2 On 1st December 1988 the company changed its name to Provident Direct Sales (Holdings) Limited.

Review of activity

3 At the beginning of the year the principal business activity was the retail sale of household commodities and other consumer goods through group companies.

4 On 1st January 1988 Provident Financial Group PLC (the ultimate holding company) transferred the whole of the issued share capital of Key Tours Limited to the company at nil consideration. Key Tours Limited is incorporated in England. It is registered with the Association of British Travel Agents and trades as Sunbridge Travel.

5 On 1st July 1988 Provident Financial Group PLC transferred to the company the whole of the issued share capital of James Keir (Established 1881) Limited, a company registered in England, at a price of £685,087. At the same time, the whole of the jewellery business, the property, assets and undertaking of James Keir (Established 1881) Limited was transferred to the company at net book value. Since that date James Keir (Established 1881) Limited has carried on business in its own name and in the name of Samantha Page, as an agent of the company.

6 On 1st November 1988, a fellow subsidiary company, H T Greenwood Limited, transferred to the company the whole of the issued share capital of The Hamper Club Limited, a company registered in England, at a price of £113,569. The Hamper Club Limited has traded as an agent of the company in the retail of hampers of food and alcoholic beverages.

7 On 1st November 1988 the whole of the issued share capital of Provident Check Traders Limited, a company registered in England, was transferred to the company by Provident Financial Group PLC at a price of £2.00. On 1st December 1988 the name of Provident Check Traders Limited was changed to Provident Direct Sales Limited. Since that date it has traded as agent of the company carrying on the company's traditional business as retailer of household commodities and other consumer goods to group companies.

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (CONTINUED)

8 At 31st December 1988 the company's principal business activities were those of a holding company and a principal in a number of retailing operations undertaken by its agent subsidiary companies.

Results

9 The profit and loss account for the year is set out on page 5.

Dividends

10 The directors have declared and paid a dividend on the ordinary shares of £1,150,000 in respect of the year ended 31st December 1988.

Fixed assets

11 The movements in fixed assets are set out in note 9 to the accounts.

Directors

12 The directors of the company at 31st December 1988, all of whom were directors for the whole of the year ended on that date, unless otherwise stated, were:-

Mr D L Whitehead	(Chairman)
Mr D R Swann	(Appointed 1st September 1988)
Mr H J Bell	(Appointed 1st December 1988)
Mr B Cheetham	(Appointed 18th May 1988)
Mr P R Fryer	(Appointed 1st December 1988)
Mr B E Swann	(Appointed 1st December 1988)
Mr J W Wallace	(Appointed 1st December 1988)
Mr E M White	
Mr B D Betts	(Resigned 1st December 1988)
Mr D A Collingwood	(Resigned 1st December 1988)
Mr M McGowan	(Resigned 1st December 1988)
Mr T Wallace	(Resigned 1st December 1988)

Mr M G Miles was appointed on 18th May 1988 and resigned on 26th September 1988.

Mr D W Woods was appointed on 18th May 1988 and resigned on 1st December 1988.

Mr E Rawcliffe was appointed on 18th May 1988 and resigned on 26th September 1988.

Directors interests

13 According to the register required to be kept under Section 325 of the Companies Act 1985, the interest of the directors of the company at 31st December 1988 and at the beginning of the year, or date of appointment if later, in the shares of the company's holding company were as follows:-

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (CONTINUED)

Number of Ordinary Shares of 25p each

	<u>Beneficial Holdings</u>		<u>Share Options</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
Mr D R Swann	3,714	3,714*	3,791	3,791
Mr H J Bell	4,198	4,198*	8,549	8,549
Mr B Cheetham	-	-	5,954	5,954
Mr P R Fryer	-	-	8,362	8,362
Mr B E Swann	-	-	8,362	8,362
Mr J W Wallace	6,000	6,000*	3,247	3,247
Mr E M White	7,134	7,134	8,174	28,231

* at the date of appointment

The above options are exercisable at various dates before 1996 at prices ranging between 105p and 380p per ordinary share. During the year options were exercised for 21,000 ordinary shares. No further options have been exercised since 31st December 1988. As permitted by statutory instrument the register does not include the interests of directors who are also directors of the holding company.

Income and Corporation Taxes Act 1988

14 In the opinion of the directors, the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company. There have been no changes in this respect since 31st December 1988.

Auditors

15 A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

D REES

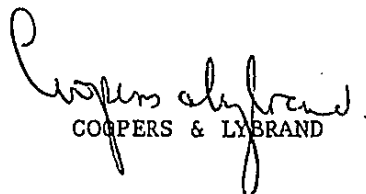
SECRETARY

Colonnade
BRADFORD: 6th March 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF
PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

We have audited the accounts on pages 5 to 16 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1988 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.


COOPERS & LYBRAND

LEEDS: 6th March 1989

Chartered Accountants

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>Notes</u>	<u>1988</u> £'000	<u>1987</u> £'000
TURNOVER	2	19,387	17,699
COST OF SALES		15,507	14,630
GROSS PROFIT		3,880	3,069
NET OPERATING EXPENSES	3	2,981	1,917
PROFIT BEFORE TAXATION	4	899	1,152
TAX ON PROFIT ON ORDINARY ACTIVITIES	5	379	433
PROFIT AFTER TAXATION		520	719
DIVIDEND PAID	8	1,150	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(630)	719

STATEMENT OF RETAINED PROFITS

	<u>1988</u> £'000	<u>1987</u> £'000
RETAINED PROFITS AT 1ST JANUARY 1988	1,406	687
(LOSS)/PROFIT FOR THE YEAR	(630)	719
RETAINED PROFITS AT 31ST DECEMBER 1988	776	1,406

The notes on pages 9 to 16 form part of these accounts

Auditors' report - page 4

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDBALANCE SHEET - 31ST DECEMBER 1988

	Notes	1988		1987	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9	1,431		1,109	
Investments	10	799		-	
			2,230		1,109
CURRENT ASSETS					
Stocks		3,192		1,204	
Debtors	11	1,391		1,360	
Cash at bank and in hand		39		13	
		4,622		2,577	
CREDITORS: amounts falling due within one year	12	5,977		2,145	
NET CURRENT (LIABILITIES)/ASSETS			(1,355)		432
TOTAL ASSETS LESS CURRENT LIABILITIES			875		1,541
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	13		-		36
			875		1,505
CAPITAL AND RESERVES					
Called up share capital	14		64		64
Revaluation reserve	15		35		35
Profit and loss account			776		1,406
			875		1,505

These accounts were approved by the board on 6th March 1989.

[Signature]
D L WHITEHEAD
D R SWANN

) Directors

[Signature]

The notes on pages 9 to 16 form part of these accounts

Auditors' report - page 4

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>1988</u>		<u>1987</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
SOURCE OF FUNDS				
Profit before taxation		899		1,152
Adjustments for items not involving the movement of funds:				
Depreciation	539		454	
Profit on sale of fixed assets	(28)		-	
		<u>511</u>		<u>454</u>
TOTAL FROM OPERATIONS		1,410		1,606
FUNDS FROM OTHER SOURCES				
Sale of tangible fixed assets	265		150	
Transfer of tangible fixed assets	14		-	
Transfer of corporation tax liability from group company	29		-	
		<u>308</u>		<u>150</u>
TOTAL SOURCE OF FUNDS		1,718		1,756
APPLICATION OF FUNDS				
Purchase of James Keir (Established 1881) Limited	685		-	
Purchase of The Hamper Club Limited	114		-	
Dividend paid	1,150		-	
Amount paid for group relief and advance corporation tax surrendered by group companies	66		255	
Corporation tax paid	439		208	
Purchase of tangible fixed assets	644		627	
Transfer of tangible assets of subsidiary	468		-	
Transfer of deferred tax from subsidiary	4		-	
		<u>(3,570)</u>		<u>(1,090)</u>
		<u>(1,852)</u>		<u>666</u>

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1988 (CONTINUED)

	<u>1988</u>	<u>1987</u>
	£'000	£'000
INCREASE IN WORKING CAPITAL		
Increase/(decrease) in stocks	1,988	(120)
Increase in debtors	22	415
(Increase)/decrease in creditors	(3,888)	359
	<u>(1,878)</u>	<u>654</u>
Movement in net liquid funds:		
Bank and cash balances	26	12
	<u>(1,852)</u>	<u>666</u>

Summary of the effects of the acquisition of James Keir (Established 1881) Limited:-

	<u>£'000</u>
Net assets acquired:-	
Tangible fixed assets	468
Stock	1,583
Debtors	271
Cash	527
Creditors	(2,164)
	<u>685</u>
Discharged by intercompany balance	

Summary of the effects of the acquisition of The Hamper Club Limited:-

	<u>£'000</u>
Net assets acquired:-	
Debtor	114
	<u>114</u>
Discharged by intercompany balance	

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 1988

Principal accounting policies

1 The accounts are prepared under the historical cost convention as modified by the revaluation of land and buildings. A summary of the more important accounting policies is set out below:-

(a) Depreciation

Depreciation on all assets is calculated on a straight line basis by reference to the anticipated useful lives of the assets concerned at the following rates:-

	%
Freehold land	Nil
Freehold buildings	2.5
Motor vehicles	25 - 30
Fixtures and fittings	10
Computer equipment	33.3

(b) Stock

Stock is valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In estimating net realisable value, due allowance is made for costs of realisation of slow moving, obsolete, defective or unsaleable items.

(c) Deferred taxation

Deferred taxation is provided on the liability method at the rates of tax ruling at the dates when reversals are expected to occur except to the extent to which a liability is not expected to arise in the foreseeable future.

Turnover

2 Turnover represents the net invoiced value of sales, excluding value added tax and trade discounts and includes £18,820,780 of inter-group sales (1987: £17,700,000).

Net operating expenses

3 Net operating expenses are made up as follows:-

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Distribution costs	640	222
Administrative expenses	2,341	1,695
	<hr/>	<hr/>
	2,981	1,917
	<hr/>	<hr/>

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)

Profit before taxation

4	The profit is stated after charging:-	<u>1988</u> £'000	<u>1987</u> £'000
	Directors' emoluments for management services including pension contributions (note 6)	101	67
	Depreciation	539	454
	Auditors' remuneration	16	13
	Management charge	127	40
	Exceptional item (see (a) below)	127	-
	And after crediting:-		
	Interest receivable on group deposits	182	127
(a)	During the year a decision was taken to close the James Keir depot in Cardiff and transfer the business to Bradford. The exceptional item relates to the costs of the closure and transfer of the business.		

Tax on profit on ordinary activities

5 The tax charge in the profit and loss account is made up as follows:-

	<u>1988</u> £'000	<u>1987</u> £'000
Corporation tax on the profit for the year at the rate of 35% (1987: 35%)	420	490
Transfer from deferred taxation	(41)	(47)
	<u>379</u>	<u>443</u>
Prior years:		
Corporation tax	-	(9)
Deferred tax	-	(1)
	<u>379</u>	<u>433</u>

Directors' emoluments

6 Particulars of directors' emoluments, disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, are as follows:-

	<u>1988</u>	<u>1987</u>
Emoluments of the chairman	£ Nil	£ Nil
Emoluments of the highest paid director	£26,119	£33,718

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDNOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)

Number of directors (excluding those above) whose emoluments were within the ranges:

£ 0 - £ 5,000	10	5
£10,001 - £15,000	1	-
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
£25,001 - £30,000	-	1

Employee information

7(a) The average number of persons employed by the company, including executive directors, during the year is as follows:-

	<u>1988</u>	<u>1987</u>
Full time	236	128
Part time	16	17
	<u>252</u>	<u>145</u>

(b) Employment costs - all employees including executive directors:-

	<u>1988</u> £'000	<u>1987</u> £'000
Aggregate gross wages and salaries	1,959	1,206
Employer's national insurance contributions	149	90
Employer's pension contributions under the group's pension scheme	131	33
Total costs of employment	<u>2,239</u>	<u>1,329</u>

Dividends

8

Ordinary dividends paid:-

	<u>1988</u> £'000	<u>1987</u> £'000
Interim	1,000	-
Final	150	-
	<u>1,150</u>	<u>Nil</u>

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDNOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)Tangible fixed assets

9(a)	Freehold land and buildings £'000	Long leasehold premises £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<u>Cost or valuation</u>					
At 1st January 1988					
Cost	5	18	1,527	258	1,808
Valuation (1984)	54	-	-	-	54
Additions	-	-	572	72	644
Disposals	-	-	(627)	-	(627)
Transfers from group companies	-	-	556	174	730
At 31st December 1988	59	18	2,028	504	2,609
<u>Depreciation</u>					
At 1st January 1988	4	1	603	145	753
Charge for the year	2	1	481	55	539
Disposals	-	-	(390)	-	(390)
Transfers from group companies	-	-	152	124	276
At 31st December 1988	6	2	846	324	1,178
Net book value at 31st December 1988	53	16	1,182	180	1,431
Net book value at 31st December 1987	55	17	924	113	1,109

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)

Tangible fixed assets (Continued)

- (b) Interests in freehold land and buildings are included at valuations (except additions made since the valuation which are shown at cost) as stated above. The historical cost and related depreciation of these properties are set out below:-

	<u>1988</u> £'000	<u>1987</u> £'000
Historical cost	27	27
Depreciation based on cost	6	5
	<hr/>	<hr/>
Historical cost net book value	21	22
	<hr/>	<hr/>

Investments

- 10 Investments consist of the cost of £1 ordinary shares in the following subsidiary companies:-

	<u>1988</u> £	<u>1987</u> £
PHS Home Shopping Limited	2	2
Key Tours Limited	-	-
James Keir (Established 1881) Limited	685,087	-
The Hammer Club Limited	113,569	-
Provident Direct Sales Limited	2	-
	<hr/>	<hr/>
	£798,660	£ 2
	<hr/>	<hr/>

All are wholly owned subsidiary companies incorporated in England. Group accounts are not prepared as Provident Directs Sales (Holdings) Limited is a wholly owned subsidiary of Provident Financial Group PLC.

Debtors

11	<u>1988</u> £'000	<u>1987</u> £'000
Amounts falling due within one year:		
Trade debtors	1,263	249
Other debtors	85	21
Prepayments and accrued income	34	17
Amounts owed by holding company	-	1,073
Deferred taxation recoverable	9	-
	<hr/>	<hr/>
	1,391	1,360
	<hr/>	<hr/>

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDNOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)Creditors - amounts falling due within one year

12	<u>1988</u> £'000	<u>1987</u> £'000
Trade creditors	1,202	1,110
Amounts owed to holding company	2,690	-
Amounts owed to subsidiary companies	799	-
Amounts owed to fellow subsidiary	4	-
Other creditors including taxation and social security (see below)	912	781
Accruals	370	254
	<u>5,977</u>	<u>2,145</u>
Other creditors comprise:		
Corporation tax payable	125	231
Advanced corporation tax payable	50	-
	<u>175</u>	<u>231</u>
PAYE and social security	10	-
Value added tax	403	201
Other creditors	324	349
	<u>912</u>	<u>781</u>

Deferred taxation

13	<u>1988</u>		<u>1987</u>	
	<u>Provision</u>	<u>Full potential liability</u>	<u>Provision</u>	<u>Full potential liability</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances on fixed assets	-	-	36	36
	<u>-</u>	<u>-</u>	<u>36</u>	<u>36</u>

PROVIDENT DIRECT SALES (HOLDINGS) LIMITED

NOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)

Called up share capital

14		Allotted, called up and fully paid 1988 and 1987 £'000
	Authorised 1988 and 1987 £'000	
	Ordinary shares of £1 each	100
		64

Revaluation

15		<u>1988</u> £'000	<u>1987</u> £'000
	The revaluation reserve represents the surplus arising from the revaluation of the freehold property at 31st December 1984	35	35

Capital expenditure approved

16 The capital commitments at 31st December 1988 are set out below:-

	<u>1988</u> £'000	<u>1987</u> £'000
Expenditure contracted for with third parties	-	108
Approved by the directors but not yet contracted for	1,001	549
	<u>1,001</u>	<u>657</u>

Contingent liability

17 The company has a contingent liability for guarantees given in respect of borrowings made by the holding company to a maximum of £195,018,000 (1987: £203,500,000). At 31st December 1988 the borrowings amounted to £154,916,000 (1987: £153,794,000). In the opinion of the directors, no loss is expected to arise.

Pension commitments

18 The Group operates funded contributory final salary schemes for the benefit of the majority of its employees. The schemes are administered by trustees. Independent actuaries undertake regular valuations and the latest of these was prepared as at 1st June 1987. As at that date on a discountance basis there was an excess of assets over liabilities in each of the schemes. As part of the valuation the actuaries recommended future contribution rates which, after taking account of the existing assets and the members' contributions, would in their opinion be sufficient to enable the trustees to pay the benefits in accordance with the rules of the schemes. The Group has implemented the actuaries' recommendations. There are no separate arrangements in respect of pensions for former directors.

PROVIDENT DIRECT SALES (HOLDINGS) LIMITEDNOTES TO THE ACCOUNTS - 31ST DECEMBER 1988 (CONTINUED)Holding company

19 The company's holding company is Provident Financial Group PLC, a company incorporated in England.