

Creation Financial Services Limited
Annual report and accounts
for the year ended 31 December 2002

Registered number: 1091883



Creation Financial Services Limited

Annual report and accounts for the year ended 31 December 2002

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Creation Financial Services Limited

Directors and advisers for the year ended 31 December 2002

Directors

M R Philippin

J L Camblin

L G Schmoll

A J Burgi

J A Burton

Secretary

S Phillips

Registered office

Radcliffe House

Blenheim Court

Solihull

B91 2AA

Auditors

PricewaterhouseCoopers LLP

Temple Court

35 Bull Street

Birmingham

B4 6JT

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JEC B

Creation Financial Services Limited

Directors' report for the year ended 31 December 2002

The directors present their annual report together with the audited financial statements for the year ended 31 December 2002.

Business review

The principal activity of the Company and Group is that of a finance company offering a credit card service. The results for the period are set out in the profit and loss account on page 6.

Trading results

The profit before tax for the year amounted to £6,182,099 (year ended 31 December 2001: £1,728,343).

Dividend and transfer to reserves

The retained profit of £4,053,977 (2001: £1,208,523) has been transferred to reserves. The directors do not recommend the payment of a dividend (2001: Nil).

Directors and their interests

The directors below have held office during the whole of the period from 1 January 2002 to the date of this report unless otherwise stated:

M R Philippin
J L Camblin
L G Schmoll
A J Burgi
J A Burton (appointed 1 June 2002)

There were no interests of the directors holding office as at 31 December 2002, in shares or options over shares of Cofinoga SA or any other Cofinoga group company.

Employment policy

During the period the Company has continued to maintain, as far as practicable, close consultation with employees or their representative on matters likely to affect their interests. By means of meetings and staff publications, the Company has endeavoured to keep employees informed about the progress of their Company and the Group of which it is a member.

It is the policy of the Company to ensure that the talents and resources of employees are utilised to the full and that no job applicant or employee receives less favourable treatment on the grounds of gender, marital status, social class, colour, race, ethnic origin, creed or disability or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Close attention is always given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work Legislation.

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Creation Financial Services Limited

Directors' report for the year ended 31 December 2002 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board:

Suzanne Phillips

S Phillips
Company Secretary
4 March 2003

Independent auditors' report to the members of Creation Financial Services Limited

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

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

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 the directors' report.

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 judgments 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.

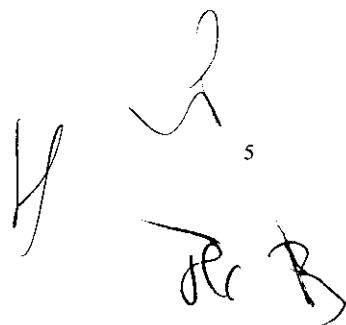
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 31 December 2002 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 LLP
Chartered Accountants and Registered Auditors
Birmingham
4 March 2003



Creation Financial Services Limited

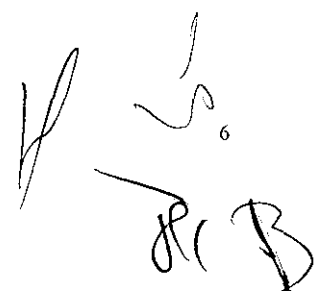
Consolidated profit and loss account for the year ended 31 December 2002

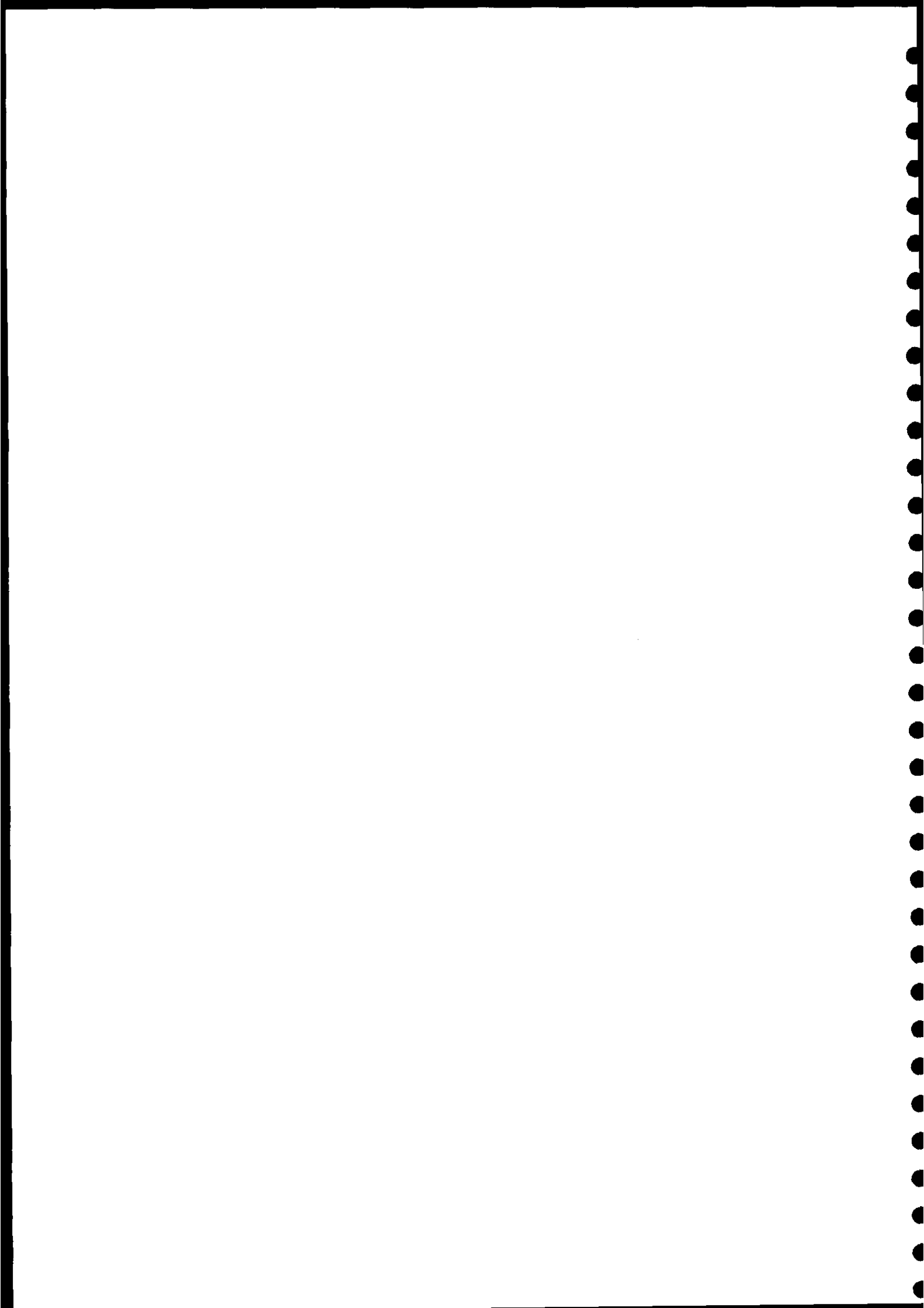
	Notes	31 December 2002 £	31 December 2001 £
Turnover		60,210,130	50,951,283
Administration expenses		(46,855,617)	(41,413,143)
Operating profit	1	13,354,513	9,538,140
Interest receivable		41,369	70,919
Interest payable	5	(7,213,783)	(7,880,716)
Profit on ordinary activities before taxation		6,182,099	1,728,343
Taxation on profit on ordinary activities	6	(2,126,302)	(518,000)
Profit on ordinary activities after taxation		4,055,797	1,210,343
Equity minority interests		(1,820)	(1,820)
Profit for the financial year	15	4,053,977	1,208,523

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

The profit for the year is derived wholly from continuing operations and includes all recognised gains and losses for the year.

The movement in shareholders' funds is set out in note 16.





Creation Financial Services Limited

Consolidated balance sheet as at 31 December 2002

	Notes	31 December 2002 £	31 December 2001 £
Fixed assets			
Intangible assets	7	1,310,891	1,364,250
Tangible assets	8	646,557	655,873
		1,957,448	2,020,123
Current Assets			
Debtors: amounts falling due within one year	10	203,727,724	188,468,923
Debtors: amounts falling due after more than one year	10	-	2,940,960
Cash at bank and in hand		1,410,963	-
		205,138,687	191,409,883
Creditors: amounts falling due within one year	11	(35,582,635)	(35,972,303)
Net current assets		169,556,052	155,437,580
Total assets less current liabilities		171,513,500	157,457,703
Creditors: amounts falling due after more than one year	12	(145,000,000)	(135,000,000)
Net assets		26,513,500	22,457,703
Capital and reserves			
Called up share capital	14	10,000,100	10,000,100
Reserves	15	16,507,914	12,453,937
Equity shareholders funds	16	26,508,014	22,454,037
Equity minority interest		5,486	3,666
Capital employed		26,513,500	22,457,703

Approved by the Board of Directors on 4 March 2003 and signed on its behalf by:

Name:
Director

Birger
Birger
[Signature]

Suzanne Phillips
Company Secretary

Creation Financial Services Limited

Company balance sheet as at 31 December 2002

	Notes	31 December	31 December
Fixed assets			
Intangible assets	7	1,310,891	1,364,250
Tangible assets	8	646,557	655,873
Investments	9	174	174
		1,957,622	2,020,297
Current Assets			
Debtors: amounts falling due within one year	10	5,946,169	4,986,610
Debtors: amounts falling due after more than one year	10	49,957,166	48,930,292
Cash at bank and in hand		1,410,963	-
		57,314,298	53,916,902
Creditors: amounts falling due within one year	11	(32,779,446)	(33,493,522)
Net current assets		24,534,852	20,423,380
Total assets less current liabilities		26,492,474	22,443,677
Creditors: amounts falling due after more than one year	12	-	-
Net assets		26,492,474	22,443,677
Capital and Reserves			
Called up share capital	14	10,000,100	10,000,100
Reserves	15	16,492,374	12,443,577
Equity shareholders funds	16	26,492,474	22,443,677

Approved by the Board of Directors on 4 March 2003 and signed on its behalf by:

Name:
Director

Blair
Blair
[Signature]

Suzanne Phillips
Company Secretary

Creation Financial Services Limited

Consolidated cash flow statement for the year ended 31 December 2002

	Notes	31 December 2002 £	31 December 2001 £
Net cash outflow from operating activities	20	(677,147)	(14,056,171)
Returns on Investment and Servicing of Finance	21	(7,151,331)	(7,864,380)
Taxation		(1,013,228)	(293,349)
Capital Expenditure	21	(441,618)	(1,588,766)
Cash flow before financing	24	(9,283,324)	(23,802,666)
Financing	21	12,500,000	22,500,000
Increase / (Decrease) in cash	24	3,216,676	(1,302,666)

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Creation Financial Services Limited

Accounting policies as at 31 December 2002

Basis of accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The requirements of FRS 19 (Deferred Taxation) have been implemented during the year. There is no financial impact.

Basis of consolidation

The group financial statements consolidate the financial statements of Creation Financial Services Limited and its' subsidiary and associated undertakings. Acquisitions are accounted for under the acquisition method.

The results of subsidiaries acquired are consolidated from the date on which control passes. In the group financial statements, investments in joint ventures are accounted for using the equity method.

Turnover

Turnover represents service charges for financial products which the company charges to its cardholders and commission on financed sales.

Fixed assets and depreciation

All tangible fixed assets are depreciated at the following annual rates:

Fixtures & fittings 20% - 33%

Assets are depreciated on a straight-line basis over their useful lives.

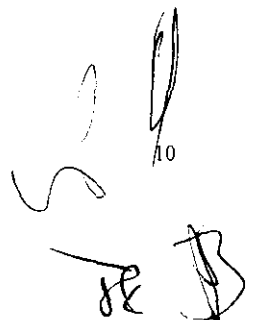
Intangible assets

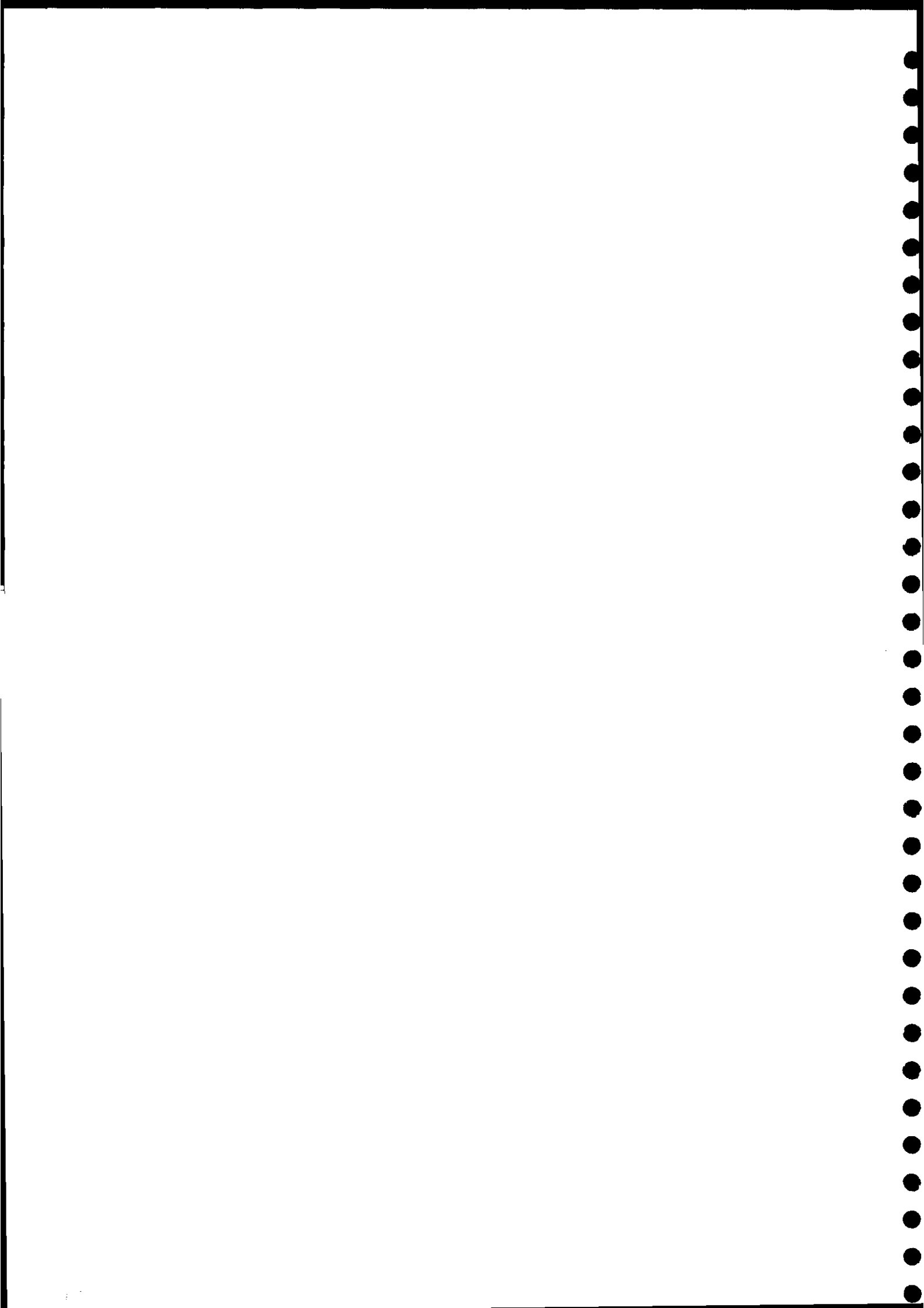
Payments to secure contracts are capitalised as intangible assets and amortised over the life of the contract, which do not exceed 20 years.

Payments to acquire licences are capitalised as intangible assets and amortised to match the benefits associated with the licence over a period not exceeding 20 years.

Impairment of fixed assets

Impairment reviews are undertaken if events or changes in circumstances indicate that the carrying value of tangible and intangible fixed assets may not be recoverable.

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Creation Financial Services Limited

Accounting policies as at 31 December 2002 (continued)

Operating leases

Rentals payable under operating leases are dealt with on a straight line basis over the lease term.

Deferred taxation

Following the introduction of FRS 19, provision is made for deferred tax in so far as a liability or asset arose as a result of transactions that had occurred by the balance sheet date and give rise to an obligation to pay more tax in future, or a right to pay less tax in future, at the rates of tax likely to be in force at the time of reversal.

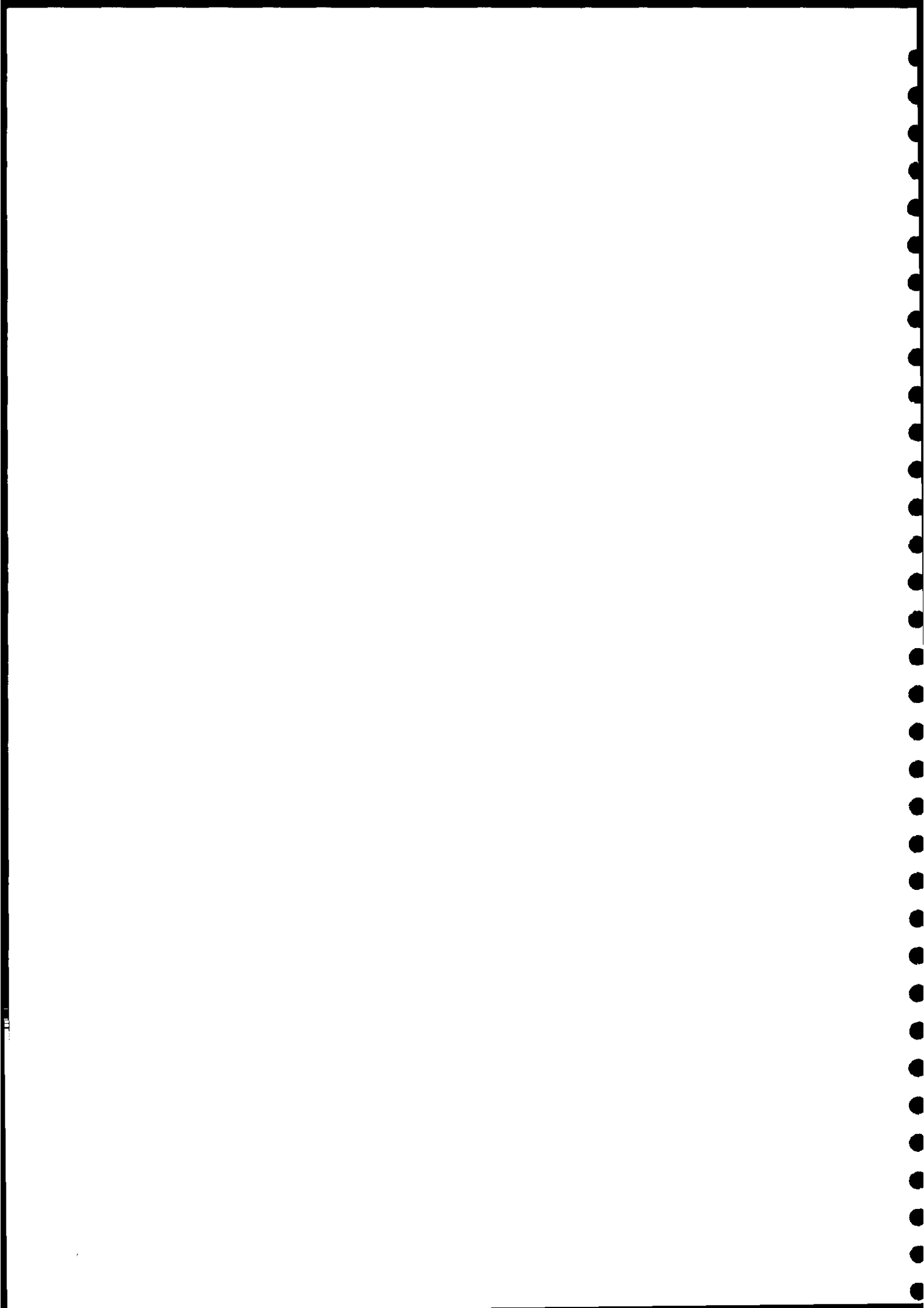
Pension costs

Pension costs charged to the profit and loss account reflect the contributions to the Group's defined contribution pension scheme.

Bad debt provision

Provision is calculated on the basis of the rate of final loss established from statistical analysis of the debtor population for each product. These rates are then applied to all balances outstanding in order to calculate the provision for loss in value of bad debts.

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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002

1 Operating profit

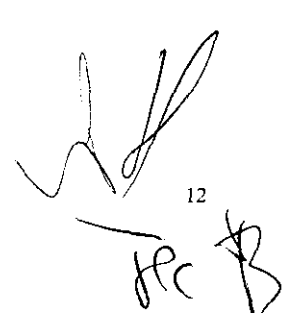
	31 December 2002	31 December 2001
	£	£
Operating profit is stated after charging / (crediting):		
Amortisation of intangible fixed assets (see note 7)	182,178	-
Depreciation of tangible fixed assets (see note 8)	322,115	329,171
Auditors' remuneration - as auditors	35,000	35,000
- other	126,933	213,087
Operating lease rentals:		
- hire of plant and machinery	239,235	242,012
- other buildings	199,209	202,631

2 Directors' emoluments

None of the directors received emoluments relating to their services to the company. All the directors are employed by the ultimate parent undertaking of the company, Groupe Cofinoga SA.

3 Directors' interests

The directors at the year-end are employed by the ultimate parent undertaking, Groupe Cofinoga SA. There were no interests of the directors holding office as at 31 December 2002, in options over shares of Groupe Cofinoga SA or any other Cofinoga group company.



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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

4 Employees

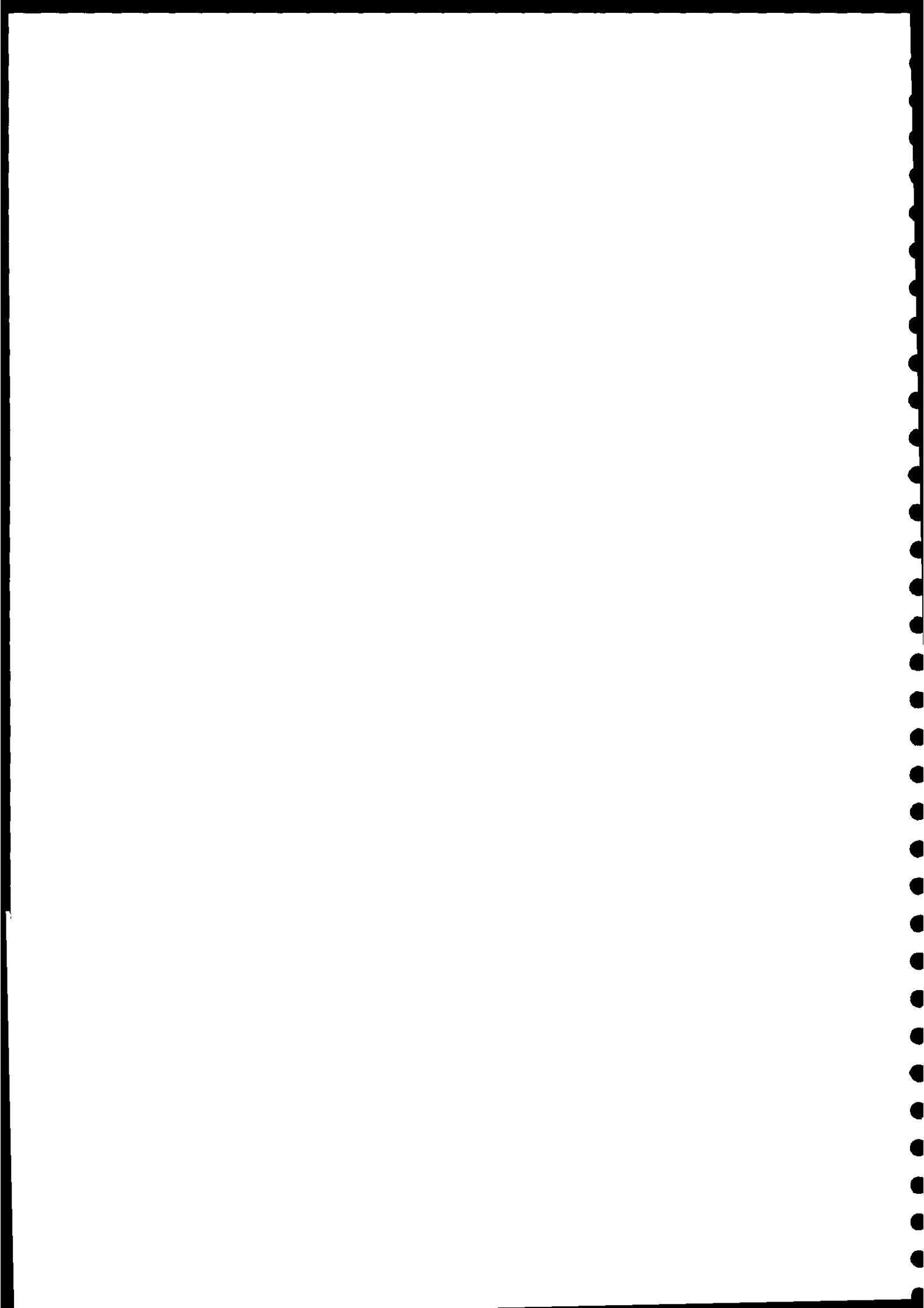
	31 December 2002	31 December 2001
	£	£
Summary of costs (including directors):		
Wages & salaries	4,159,596	3,494,689
Social security costs	381,792	345,853
Other pension costs	267,142	222,862
	4,808,530	4,063,404
Average number of employees (including directors):		
	31 December 2002	31 December 2001
Full time	123	105
Part time	18	23
	141	128

An interest free loan has been made by Creation Financial Services Limited (CFS) to Benoit Cavelier, a director of Attendstar Limited, and an officer of CFS. The amount of the loan outstanding at the year end was £15,288 (31 December 2001 : £25,000).

5 Interest payable

	31 December 2002	31 December 2001
	£	£
Interest payable on bank loans & overdrafts	7,213,783	7,880,716

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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

6 Taxation on profit on ordinary activities

	31 December 2002 £	31 December 2001 £
Current tax:		
UK corporation tax on profits of the period	2,482,064	391,367
Adjustment in respect of previous periods	(112,000)	52,222
Total current tax	2,370,064	443,589
Deferred tax:		
Origination and reversal of timing differences	(292,363)	305,534
Adjustment in respect of previous periods	48,601	(231,123)
Total deferred tax (see note 13)	(243,762)	74,411
Tax on profit on ordinary activities	2,126,302	518,000

The tax assessed for the period is higher (2001 - lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	31 December 2002 £	31 December 2001 £
Profit on ordinary activities before tax	6,182,099	1,728,343
Profit on ordinary activities multiplied by average standard rate of UK corporation tax of 30%	1,854,600	518,503
Effects of:		
Expenses not deductible for tax purposes	215,100	178,500
(Excess) / deficit of capital allowances over depreciation	21,574	(33,000)
Other timing differences	390,790	(272,636)
Adjustments to tax charge in respect of previous periods	(112,000)	52,222
Current tax charge for the period	2,370,064	443,589

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Creation Financial Services Limited

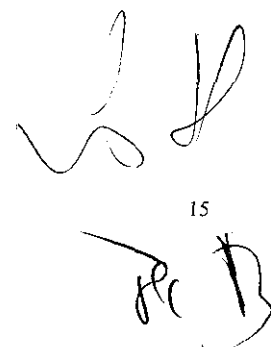
Notes to the financial statements

for the year ended 31 December 2002 (continued)

7 Intangible fixed assets

Group and Company	Licenses & similar intangible assets £
Cost:	
At 1 January 2002	1,364,250
Additions	128,819
At 31 December 2002	1,493,069
Amortisation:	
At 1 January 2002	-
Charge for the year	182,178
At 31 December 2002	182,178
Net book amount:	
At 31 December 2002	1,310,891
At 31 December 2001	1,364,250

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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Tangible fixed assets

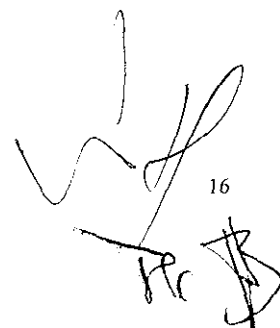
Group and Company	Fixtures & fittings £
Cost:	
At 1 January 2002	1,480,432
Additions	312,799
At 31 December 2002	1,793,231
Depreciation:	
At 1 January 2002	824,559
Charge for the year	322,115
At 31 December 2002	1,146,674
Net book amount:	
At 31 December 2002	646,557
At 1 January 2002	655,873

9 Investments

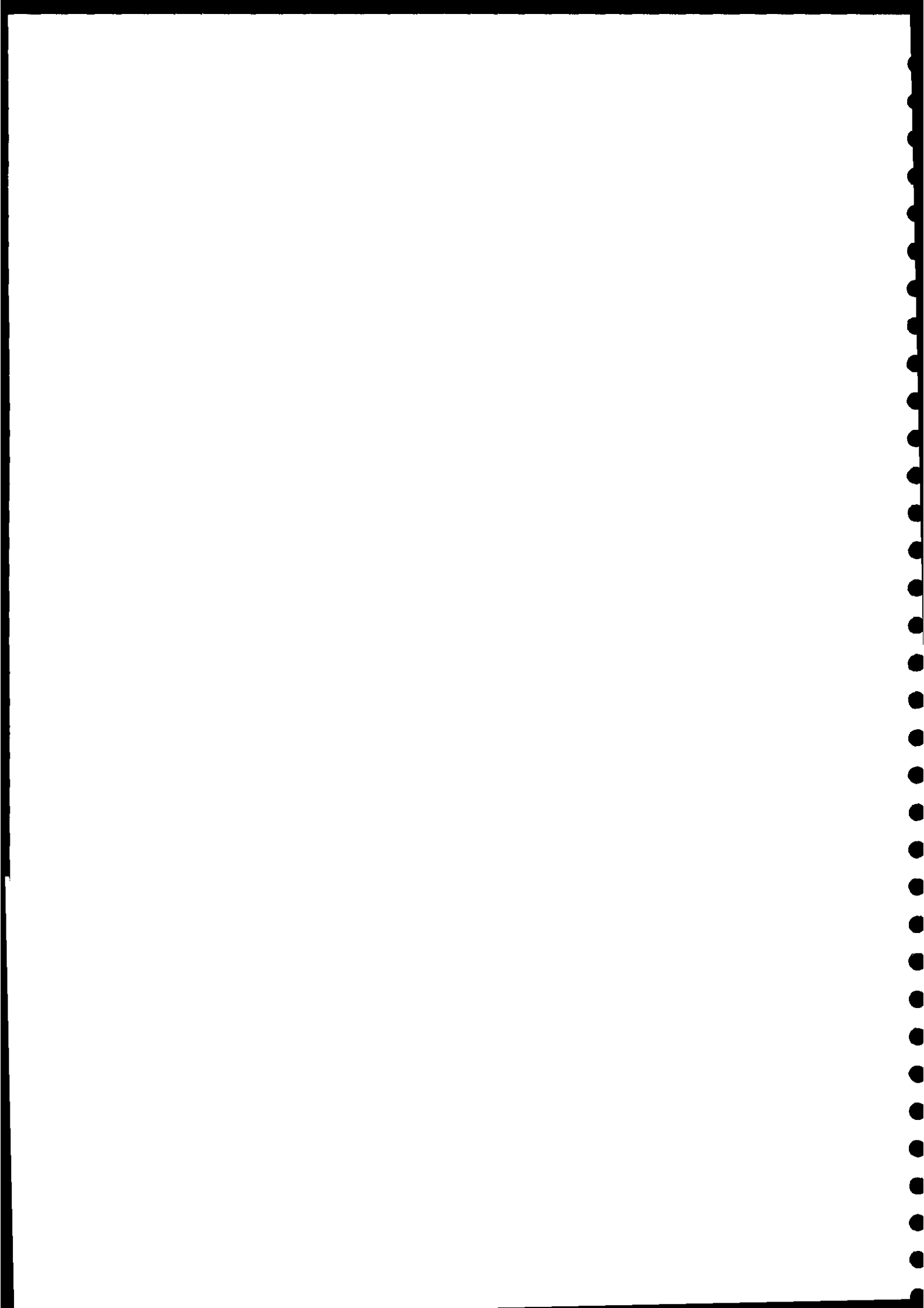
	31 December 2002 £	31 December 2001 £
Company:		
Attendstar Limited	74	74
West Midlands Debt Collections Limited	100	100
	174	174

The Company holds the whole of the authorised and issued ordinary share capital of West Midlands Debt Collections Limited, a company incorporated in the United Kingdom, which did not trade during the year.

The Company holds 74% of the issued ordinary share capital of Attendstar Limited, a special purpose vehicle company incorporated in the United Kingdom.



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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Debtors

	31 December 2002		31 December 2001	
	Group	Company	Group	Company
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	200,025,163	2,114,298	184,944,777	1,347,808
Amounts owed by subsidiary	-	129,310	-	114,656
Other debtors	246,729	246,729	397,029	397,029
Prepayments	2,108,381	2,108,381	2,023,428	2,023,428
Taxation – deferred tax asset (see note 13)	1,347,451	1,347,451	1,103,689	1,103,689
	203,727,724	5,946,169	188,468,923	4,986,610
Amounts falling due after more than one year:				
Trade debtors	-	-	2,940,960	184,777
Amounts owed by subsidiary	-	49,957,166	-	48,745,515
	-	49,957,166	2,940,960	48,930,292

Within the Group's trade debtors, £194,957,166 is held by Attendstar Limited, (31 December 2001: £183,745,515) – transferred to the subsidiary from the parent company as part of the Societe Generale securitisation funding agreement.

11 Creditors – amounts falling due within one year

	31 December 2002		31 December 2001	
	Group	Company	Group	Company
	£	£	£	£
Bank overdraft	-	-	1,805,713	1,805,713
Bank loans	22,500,000	22,500,000	20,000,000	20,000,000
Trade creditors	3,570,852	617,153	7,839,259	5,231,622
Amounts owed to subsidiary	-	528,002	-	466,766
Other taxes	116,090	116,090	97,512	97,512
Accruals	7,709,080	7,334,588	5,813,600	5,478,690
Corporation tax	1,686,613	1,683,613	416,219	413,219
	35,582,635	32,779,446	35,972,303	33,493,522

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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

12 Creditors – amounts falling due after more than one year

	31 December 2002		31 December 2001	
	Group	Company	Group	Company
	£	£	£	£
Bank loans & overdrafts -				
Repayable between 2 & 5 years	145,000,000	-	135,000,000	-

In December 1999 a five year non-recourse facility was arranged with Societe Generale Nederland Bank NV, through the 74% owned subsidiary Attendstar Limited. The facility amount is dependent on the level of receivable balances, with any principal and interest repaid from the settlement of these receivable balances. The maximum amount that can be drawn down under the facility is £170.0 million at 31 December 2002 (£135.0 million at 31 December 2001).

The interest on the non-recourse debt is variable and at 31 December 2002 was 4.01% (4.03% at 31 December 2001).

13 Deferred taxation

Group and Company	Recognised	Full potential	Recognised	Full potential
	31 December 2002	31 December 2002	31 December 2001	31 December 2001
	£	£	£	£
Excess capital allowances	219,926	219,926	198,354	198,354
Short term timing differences	1,127,525	1,127,525	905,335	905,335
	1,347,451	1,347,451	1,103,689	1,103,689

Full recognition of the deferred tax asset relating to timing differences is made, as the directors believe these timing differences will crystallise in the foreseeable future.

The movement on the deferred tax account was as follows:

	£
Balance at 1 January 2002	1,103,689
Movement in respect of current period	292,363
Movement in respect of prior periods	(48,601)
Balance at 31 December 2002	1,347,451

Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

14 Share capital

	31 December 2002	31 December 2001
	£	£
Ordinary shares of £1 each		
Authorised, issued and fully paid	10,000,100	10,000,100

15 Profit and loss account

	Group £	Company £
At 1 January 2002	12,453,937	12,443,577
Profit for the year	4,053,977	4,048,797
At 31 December 2002	16,507,914	16,492,374

As permitted by Section 230 of the Companies Act 1985, Creation Financial Services Limited has not presented its own profit and loss account.

The profit for the year to 31 December 2002 of the Company was £4,048,797 (31 December 2001: £1,203,343).

16 Reconciliation of movements in shareholders' funds

	31 December 2002		31 December 2001	
	Group £	Company £	Group £	Company £
Profit / (loss) for the year	4,053,977	4,048,797	1,208,523	1,203,343
Net addition to shareholders' funds	4,053,977	4,048,797	1,208,523	1,203,343
Opening shareholders' funds	22,454,037	22,443,677	21,245,514	21,240,334
Closing shareholders' funds	26,508,014	26,492,474	22,454,037	22,443,677

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Creation Financial Services Limited

Notes to the financial statements

for the year ended 31 December 2002 (continued)

17 Contingent asset

A contingent asset of £957,000 has not been recognised in the accounts as recoverability of this amount is not considered to be virtually certain. This amount relates to a claim for repayment of VAT as a result of the application of principals in established European VAT case law. The directors do not consider that this amount should be recognised in the accounts as final payment has yet to be negotiated with the third parties involved.

18 Capital commitments

There were no capital commitments at the balance sheet date (31 December 2001: £Nil)

19 Operating lease commitments

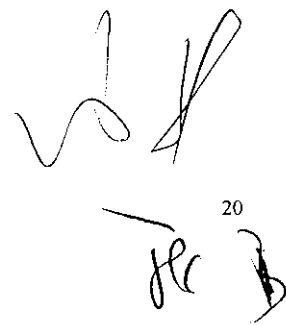
Commitments to make annual payments under non-cancellable operating leases are as follows:

Group and Company	31 December 2002		31 December 2001	
	Land &	Other	Land &	Other
	buildings		buildings	
	£	£	£	£
Operating leases which expire:				
Within 1 year	149,407	80,095	-	9,008
Within 2 to 5 years	-	159,140	202,631	233,004
After 5 years	-	-	-	-
	149,407	239,235	202,631	242,012

20 Pension Costs

The Group is a member of a defined contribution scheme, the assets of which are held in trustee administered funds. The scheme is open to certain employees of the Cofinoga group of companies and further particulars are set out in the Annual Report of that company.

The total pension cost for the Group was £267,142 (2001: £222,862).



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Creation Financial Services Limited

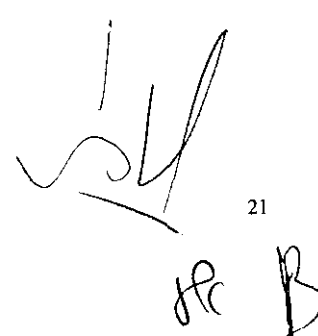
Notes to the financial statements for the year ended 31 December 2002 (continued)

21 Gross cash flows

	31 December 2002	31 December 2001
Returns on investment and servicing of finance		
Interest received	41,369	70,919
Interest paid	(7,192,700)	(7,935,299)
	(7,151,331)	(7,864,380)
Capital expenditure		
Payments to acquire tangible fixed assets	(312,799)	(224,516)
Payments to acquire intangible fixed assets	(128,819)	(1,364,250)
	(441,618)	(1,588,766)
Financing		
New loan finance	12,500,000	22,500,000
	12,500,000	22,500,000

22 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	31 December 2002	31 December 2001
Operating profit	13,354,513	9,538,140
Depreciation charge	322,115	329,171
Amortisation of intangible fixed assets	182,178	
(Increase)/Decrease in Debtors	(13,346,516)	(24,184,590)
Increase / (Decrease) in Creditors	(1,189,437)	261,108
Net Cash Outflow from Operating Activities	(677,147)	(14,056,171)



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Creation Financial Services Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

23 Reconciliation of net cash flow to movement in net debt

	31 December	31 December
	£	£
Increase / (decrease) in cash in period	3,216,676	(1,302,666)
Cash received from new bank loans	(12,500,000)	(22,500,000)
Change in net debt	(9,283,324)	(23,802,666)
Net debt at start of financial period	(156,805,713)	(133,003,047)
Net debt at end of financial period	(166,089,037)	(156,805,713)

24 Analysis of changes in net debt

	1 January 2002	Cash flows	31 December 2002
	£	£	£
Cash in hand	-	1,410,963	1,410,963
Debt due within 1 year – overdraft	(1,805,713)	1,805,713	-
	(1,805,713)	3,216,676	1,410,963
Debt due within 1 year – loan	(20,000,000)	(2,500,000)	(22,500,000)
Debt due after 1 year	(135,000,000)	(10,000,000)	(145,000,000)
Net debt	(156,805,713)	(9,283,324)	(166,089,037)

25 Parent undertakings

The ultimate parent company and controlling party is Groupe Cofinoga SA; the company is incorporated in France. Copies of the annual report are available from the registered offices of Creation Financial Services Limited.

26 Related party disclosures

The Company has taken advantage of the relief available under FRS 8, Related Party Disclosures, not requiring subsidiary undertakings whose voting rights are 90 per cent or more controlled within the group to disclose transactions with entities that are fellow group companies or investees of the group qualifying as related parties.