

RFS (4) LIMITED

ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1999



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**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1999**

The Directors hereby submit their Report and the accounts for the year ended 31 December 1999.

Results£000

The accounts of the company show a loss for the financial year of (945)

The deficit brought forward at 1 January 1999 was

(1,169)

Leaving a deficit to be carried forward of

(2,114)**Activities**

The principal activity of the company is the provision of finance and associated services. The company has conducted its activities throughout the year in a satisfactory manner.

No significant change in activities is foreseen at the present time.

Year 2000

The company experienced no adverse effects due to the date change at 1 January 2000 either in its own computer system or in its relationships with its customers, suppliers and other group entities.

The company is aware that not all potential related problems may have come to light and continues to monitor the situation.

Directors

The Directors of the company as at 31 December 1999 were:-

B.M.J. Marzloff	R. Littler
A. Breuils	J.A. Mercer

Mr. R. Littler and Mr. J.A. Mercer resigned as Directors on 3 March 2000 and 30 June 2000 respectively.

Mr. A.R. Christie was appointed as a Director on 3 March 2000.

None of the Directors had an interest in the share capital of the company or its parent undertaking during the financial year.

The Articles of Association do not provide for the retirement of Directors by rotation.

continued.....

REPORT OF THE DIRECTORS (continued)

Directors (continued)

Auditors

During the year Ernst & Young resigned as auditors to the company and KPMG Audit Plc and Deloitte & Touche were appointed as joint auditors. KPMG Audit Plc and Deloitte & Touche have expressed their willingness to continue in office as joint auditors and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

BY ORDER OF THE BOARD


T. HEBERT
P. GITTINSJoint Secretaries

Thistle House
City Road
Chester
CH88 3AN

7th August 2000

DIRECTORS' ACCOUNTING RESPONSIBILITIES

The directors are required to prepare accounts for each financial year which comply with Part VII of the Companies Act 1985 and which give a true and fair view of the state of affairs of the company as at the end of the year and of the profit or loss for the year. The directors consider that in preparing the accounts on pages 5 to 11 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all Accounting Standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with Part VII of the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are satisfied that it is appropriate for these accounts to have been prepared on a going concern basis.

The directors acknowledge their responsibility for the maintenance of systems of internal control, the effectiveness of which they regularly review. These controls are designed to provide reasonable (but cannot provide absolute) assurance on the reliability of the company's systems for identification and management of risk, the maintenance of proper control over the assets and liabilities of the company and the accuracy and reliability of the company's information system.

We have audited the financial statements on page 5 to 11 which have been prepared under the historical cost convention and on the basis of the stated accounting policies.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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 with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
MANCHESTER

KPMG Audit Plc 10 August 2000

DELOITTE & TOUCHE
Chartered Accountants
Registered Auditors
LONDON

Deloitte & Touche 10 August 2000

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999**

	<u>Notes</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
TURNOVER	2	(1,264)	3,347
Finance and trading costs		<u>(376)</u>	<u>4,901</u>
GROSS LOSS		(888)	(1,554)
Administrative expenses		<u>387</u>	<u>340</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2,3	(1,275)	(1,894)
Tax credit on loss on ordinary activities	4	<u>(330)</u>	<u>(715)</u>
LOSS FOR THE FINANCIAL YEAR		(945)	(1,179)
Balance brought forward		<u>(1,169)</u>	<u>10</u>
BALANCE CARRIED FORWARD		<u>(2,114)</u>	<u>(1,169)</u>

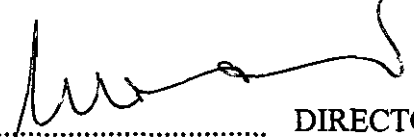
There are no recognised gains and losses for either period other than those shown above.

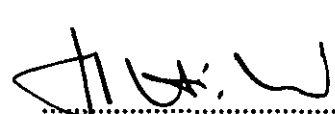
All activities relate to continuing operations.

BALANCE SHEET AS AT 31 DECEMBER 1999

	<u>Notes</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
FIXED ASSETS			
Tangible assets	5	33,972	39,596
Investments	6	-	-
CURRENT ASSETS			
Cash at bank		87	-
Debtors : receivable within one year		6,138	6,340
: receivable after one year		1,779	2,586
	7	7,917	8,926
		8004	8,926
CREDITORS: payable within one year	8	(35,589)	(43,213)
NET CURRENT LIABILITIES		<u>(27,585)</u>	<u>(34,287)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,387	5,309
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	9	(1,755)	(2,048)
DEFERRED INCOME			
Vehicle maintenance contracts		(5,746)	(3,430)
		<u>(1,114)</u>	<u>(169)</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,000	1,000
Profit and loss account		(2,114)	(1,169)
EQUITY SHAREHOLDERS' FUNDS	11	<u>(1,114)</u>	<u>(169)</u>

Approved by the Board of Directors on 7th August 2000 and signed on its behalf by


 DIRECTOR
 A.R. CHRISTIE


 DIRECTOR
 T. HEBERT

NOTES ON THE ACCOUNTS**1. ACCOUNTING POLICIES****Accounting convention**

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with applicable Accounting Standards and with S226 of, and schedule 4 to, the Companies Act 1985.

Vehicle maintenance contracts

Profit on vehicle maintenance contracts is taken at the conclusion of the contract. The excess of vehicle maintenance income over expenditure on uncompleted contracts at the end of the accounting period is carried forward.

Finance leases and operating leases

The net investment in finance leases is included as a receivable in debtors and stated at its recoverable amount.

Equipment which is on hire under operating lease agreements is treated as a fixed asset.

Leasing earnings and depreciation

The earnings element of leasing rentals is credited to revenue in proportion to the funds invested in the related contracts.

The balance of operating lease rentals receivable during the year not attributable to earnings is applied as depreciation of the relative assets leased to customers.

Deferred taxation

Deferred taxation is provided on the liability method on those timing differences which are considered likely to reverse in the foreseeable future.

NOTES ON THE ACCOUNTS (continued)

2. TURNOVER

Turnover, all of which arose from activities within the United Kingdom, represents finance charges earned on leasing agreements together with income from associated services.

The turnover and pre-tax loss are attributable to one continuing activity, the provision of finance and associated services.

3. LOSS ON ORDINARY ACTIVITIES
BEFORE TAXATION

<u>1999</u>	<u>1998</u>
<u>£000</u>	<u>£000</u>

Loss is stated after crediting:

Finance lease rentals	1,519	1,264
Operating lease rentals	<u>10,967</u>	<u>9,196</u>

and after charging:

Intra group interest	2,254	2,053
Bank interest	7	3
Depreciation of operating lease assets	10,691	6,102
Directors' remuneration	-	-
Auditors' remuneration - audit	<u>3</u>	<u>3</u>

The company has no employees. It uses the services of a related undertaking for which a charge, included in administration expenses, is made.

4. TAX CREDIT ON LOSS ON ORDINARY
ACTIVITIES

<u>1999</u>	<u>1998</u>
<u>£000</u>	<u>£000</u>

The tax credit based on the result for the year is made up as follows:

Group relief receivable	(130)	(715)
Transfer from deferred taxation	<u>(267)</u>	<u>2</u>
	(397)	(713)

Adjustments relating to prior years:

Corporation tax	94	(42)
Deferred taxation	<u>(27)</u>	<u>40</u>
	<u>(330)</u>	<u>(715)</u>

Taxation for the year is based on a composite corporation tax rate of 30.25%. (1998:31%).

NOTES ON THE ACCOUNTS (continued)

5. **FIXED TANGIBLE ASSETS
OPERATING LEASE ASSETS**

Cost	£000
At 1 January 1999	53,206
Additions	15,481
Disposals	(16,969)
At 31 December 1999	<u>51,718</u>
Depreciation	
At 1 January 1999	13,610
Charge for the year	10,691
Disposals	(6,555)
At 31 December 1999	<u>17,746</u>
Net book value at 31 December 1999	<u>33,972</u>

6. **FIXED ASSET INVESTMENTS**

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Shares in subsidiary undertakings at cost	<u>6</u>	<u>6</u>
The company's operating subsidiary undertakings are:	Equity held	Accounting reference date
RFS (1) Limited	100%	31 March
RFS (2) Limited	100%	30 June
RFS (3) Limited	100%	30 September

All the subsidiary undertakings, which are incorporated in the United Kingdom, have as their principal activity the provision of finance and associated services. Group accounts are not submitted as the company is a wholly owned subsidiary of another body corporate incorporated in the United Kingdom, for which consolidated accounts are prepared.

7. **DEBTORS**

	<u>1999</u>			<u>1998</u>		
	<u>Receivable</u>			<u>Receivable</u>		
	within one year	after one year	Total	within one year	after one year	Total
	<u>£000</u>	<u>£000</u>		<u>£000</u>	<u>£000</u>	
Finance lease debtors	871	1,718	2,589	1,081	2,530	3,611
Group relief receivable	145	-	145	774	-	774
VAT	684	-	684	877	-	877
Other debtors	4,438	61	4,499	3,608	56	3,664
	<u>6,138</u>	<u>1,779</u>	<u>7,917</u>	<u>6,340</u>	<u>2,586</u>	<u>8,926</u>

The cost of assets acquired during the year for the purpose of finance leasing was £786,895 (1998: £2,310,719).

NOTES ON THE ACCOUNTS (continued)

8. CREDITORS: payable within one year	1999	1998
	<u>£000</u>	<u>£000</u>
Amount owed to parent undertaking	27,929	33,282
Bank overdraft at Bank of Scotland	-	24
Other creditors	7,660	9,907
	<u>35,589</u>	<u>43,213</u>

9. DEFERRED TAXATION	1999	1998
	<u>£000</u>	<u>£000</u>
Provision has been made as follows:		
Capital allowances on assets leased to customers	1,947	3,075
Short term timing differences	(192)	(1,027)
	<u>1,755</u>	<u>2,048</u>

Deferred taxation not provided in the accounts in respect of:

Short term timing differences	-	(152)
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10. SHARE CAPITAL	1999	1998
Authorised, allotted, called up and fully paid shares of £1 each		
'A' Ordinary	500,001	500,001
'B' Ordinary	500,001	500,001
'C' Ordinary	2	2
	<u>1,000,004</u>	<u>1,000,004</u>

The 'A' 'B' and 'C' shares rank pari passu with regards to the rights to dividends and to a distribution on winding up. The 'A' and 'B' shares hold equal voting rights and rights regarding the appointment of directors. The 'C' shares hold no voting rights or rights regarding the appointment of directors.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999	1998
	<u>£000</u>	<u>£000</u>
Shareholders' funds at 1 January	(169)	1,010
Loss for the financial year	(945)	(1,179)
Shareholders' funds at 31 December	<u>(1,114)</u>	<u>(169)</u>

NOTES ON THE ACCOUNTS (continued)

12. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The parent undertaking of the Company and the smallest and largest group of undertakings for which group accounts are drawn up and of which the company is a member is RFS Limited incorporated in the United Kingdom. As a wholly owned subsidiary undertaking the company is exempt from including a statement of cash flows in its accounts. RFS Limited the ultimate controlling party of the company has included a consolidated statement of cash flows in its consolidated accounts. Copies of RFS Limited's accounts can be obtained from City Road, Chester.

RFS Limited has indicated its intention to continue to provide sufficient finance to the company to enable it to continue trading for at least one year from the date of approval of these accounts.

RFS Limited is a joint venture with the joint venture partners being Renault Acceptance Limited and CAPITAL BANK plc.

13. RELATED PARTY TRANSACTIONS

During the year, in addition to those transactions disclosed separately in the accounts, the company had the following transactions with related parties:

Included within turnover is earned finance charges subsidy of £1,156,567 (1998:£952,247) receivable from the Renault Group. The amount of subsidy receivable in respect of new finance business of the year is £1,287,917 (1998:£1,068,018), of which £3,457,799 (1998: £2,371,302) was included in debtors at the year end, and the amount deferred at the year end and included in creditors was £2,187,913 (1998: £2,056,562). Also included within turnover is commission of £57,098 (1998: £37,766) received in respect of credit insurance underwritten by companies within the CAPITAL BANK Group.

Included within finance and trading costs is commission of £42,519 (1998: £67,673) payable to motor dealerships in the Renault Group. At the year end, accrued commission of £nil (1998: £nil) was included in creditors.

Included within administration expenses are charges for services provided by CAPITAL BANK plc of £383,573 (1998: £336,437). At the year end the balance owing in respect of these charges was £nil (1998: £nil).