

Park Motor Finance Limited
(formerly Park Asset Finance Limited)

Annual report for the
year ended 31 October 2002



Park Motor Finance Limited
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Annual report
for the year ended 31 October 2002

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Park Motor Finance Limited
(formerly Park Asset Finance Limited)

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Directors and advisers

Directors

A W P Comber
A R M Wall
P M Massey
L J Davies
M Evans
R J E Williams

Secretary and registered office

A R M Wall
Park House
1 Castleton Court
St Mellons Business Park
Cardiff
CF3 0LT

Registered auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

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Directors' report **for the year ended 31 October 2002**

The directors present their report and the audited financial statements for the year ended 31 October 2002.

Principal activities

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

The principal activity of the company is that of the provision of hire purchase finance.

Review of business and future developments

The company's business grew following the acquisition by Park Finance Group Limited in line with expectations. The company anticipates this growth will continue in 2003.

On 14 February 2003 the company changed its name to Park Motor Finance Limited.

Dividends

The directors have not declared or recommend any dividends in respect of the year ended 31 October 2002.

Dividends due on the preference shares have been waived by the preference shareholders.

Directors

The directors of the company who held office during the year are given below:

A W P Comber	Appointed 4 July 2002
A R M Wall	Appointed 4 July 2002
P M Massey	Appointed 4 July 2002
L J Davies	
M Evans	
R J E Williams	Appointed 1 March 2002, resigned 4 July 2002 and reappointed 9 August 2002
A Lewis	Resigned 31 January 2002

Directors' interests

None of the directors of the company at 31 October 2002 had any interest in the ordinary shares or preference shares of the company or at any time during the year.

Details of the interests of those directors, who are also directors of the holding company, in the shares of the holding company are shown in that company's financial statements.

P M Massey had an interest in 32,500 'A' ordinary shares of 5p each in the parent company on appointment and at 31 October 2002.

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Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors are required to prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue as a going concern.

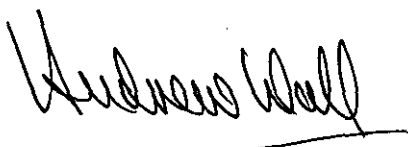
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 October 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible of safeguarding the assets of the company 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 20 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



A R M Wall
Company secretary

31.6 March 2003

Independent auditors report to the members of Park Asset Finance Limited (formerly Park Asset Management Limited)

We have audited the financial statements which comprise the profit and loss account, the balance sheet and 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 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 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 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 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 October 2002 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff, 31 March 2003

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Profit and loss account
for the year ended 31 October 2002

	Notes	2002	2001
		£'000	£'000
New loans and advances	3	<u>17,648</u>	<u>18,653</u>
Turnover - continuing operations	4	3,569	3,998
Net operating expenses - continuing operations	5	<u>(2,220)</u>	<u>(2,307)</u>
Operating profit - continuing operations		1,349	1,691
Interest receivable		31	68
Interest payable and similar charges	8	<u>(1,300)</u>	<u>(1,646)</u>
Profit on ordinary activities before taxation	9	80	113
Tax on profit on ordinary activities	10	<u>3</u>	<u>(46)</u>
Profit for the financial year		83	67
Dividends (including dividends in respect of non-equity shares)	11	<u>-</u>	<u>(61)</u>
Retained profit for the year	19	<u>83</u>	<u>6</u>

The company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of recognised gains and losses has been prepared.

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

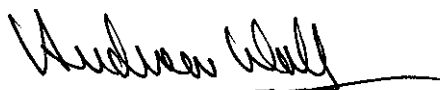
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Balance sheet at 31 October 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	12	98	195
Current assets			
Stocks	13	28	52
Debtors: amounts falling due after more than one year	14	16,419	18,149
Debtors: amounts falling due within one year	14	7,908	7,044
Cash at bank and in hand		16	2
		<u>24,371</u>	<u>25,247</u>
Creditors: amounts falling due within one year	15	<u>12,253</u>	<u>15,073</u>
Net current assets		<u>12,118</u>	<u>10,174</u>
Total assets less current liabilities		<u>12,216</u>	<u>10,369</u>
Creditors: amounts falling due after more than one year	16	<u>7,974</u>	<u>6,210</u>
Provisions for liabilities and charges	17	<u>-</u>	<u>-</u>
		<u>7,974</u>	<u>6,210</u>
Net assets		<u>4,242</u>	<u>4,159</u>
Capital and reserves			
Called up share capital	18	3,912	3,912
Profit and loss account	19	330	247
Total shareholders' funds	20	<u>4,242</u>	<u>4,159</u>
Equity shareholders' funds		<u>3,242</u>	<u>3,159</u>
Non-equity shareholders' funds		<u>1,000</u>	<u>1,000</u>
		<u>4,242</u>	<u>4,159</u>

The financial statements on pages 5 to 15 were approved and signed on behalf of the board of directors on 31 March 2003.



Andrew Wall
Finance Director

Park Motor Finance Limited **(formerly Park Asset Finance Limited)**

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Notes to the financial statements **for the year ended 31 October 2002**

1 Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, is set out below.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis, over the useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Motor vehicles	25
Computers and office equipment	10 – 33

Stocks

Stocks of repossessed vehicles are stated at the lower of cost and net realisable value.

Conditional sale agreements

Interest receivable on conditional sale agreements is credited to the profit and loss account over the life of each individual contract using the sum of the digits method to give a constant periodic rate of return on the outstanding liability of each contract.

Commission incurred which directly relates to the inception of the condition sale agreements is written off to the profit and loss account on a straight line basis over the life of each individual contract.

Payment protection policies

Premiums receivable and payable on payment protection policies are credited and debited respectively to the profit and loss account when each policy is established.

Bad and doubtful debts

Amounts receivable from customers are stated after deduction of the sum which in the opinion of the directors is required as a provision for bad and doubtful debts. The sum has been calculated after taking account of the value of the security held.

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Finance leases

Leasing agreements which transfer to the company substantially all of the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in the fixed assets and the capital element of the leasing commitments are shown as obligations under finance leases. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Turnover

Turnover which excludes value added tax, represents interest, commissions and charges earned in the period.

Deferred taxation

Deferred tax has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised has not been discounted.

Pension costs

The company contributes to a defined contribution group personal pension plan which is non-contributory. Payments made to the plan are charged annually in these financial statements as part of employment costs and represents the company's contribution payable in the year.

Financial instruments

Receipts and payments on interest rate instruments used for hedging are recognised on an accruals basis over the life of the instruments. Finance costs associated with debt issuances are charged to the profit and loss account over the life of the instruments.

2 Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Park Finance Group Limited and is included in the consolidated financial statements of Park Finance Group Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related part transactions with entities that are part of the Park Finance Group Limited group or investees of the Park Finance Group Limited group.

3 New loans and advances

New loans and advances represents the total amount receivable (including interest and charges) on hire purchase contracts entered into during the period.

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4 Turnover

Turnover consists entirely of income earned in the United Kingdom.

5 Net operating expenses

	2002 £'000	2001 £'000
Continuing operations		
Administrative expenses	2,320	2,611
Other operating income	(100)	(304)
	<u>2,220</u>	<u>2,307</u>

6 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	95	268
Compensation for loss of office	<u>-</u>	<u>30</u>
Company pension contributions to money purchase schemes	<u>8</u>	<u>28</u>

Retirement benefits are accruing to 4 directors (2001: 4 directors) under money purchase schemes.

Emoluments paid to the highest paid director are as follows:-

	2002 £'000	2001 £'000
Aggregate emoluments	28	140
Company pension contributions paid to money purchase schemes	<u>5</u>	<u>15</u>

7 Employment information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2002 Number	2001 Number
Sales	5	5
Administration	19	22
	<u>24</u>	<u>27</u>

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	2002 £'000	2001 £'000
Staff costs (for the above persons)		
Wages and salaries	605	665
Social security costs	86	63
Pension costs	33	37
	<u>724</u>	<u>765</u>

8 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	1,296	1,636
On hire purchase contracts	4	10
	<u>1,300</u>	<u>1,646</u>

9 Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging		
Depreciation charge for the year:		
Tangible owned fixed assets	43	64
Tangible fixed assets subject to hire purchase contracts	28	33
Auditors' remuneration	12	15
Loss on sale of fixed assets	11	6
Operating lease rentals		
Other	49	30
	<u>49</u>	<u>30</u>

Remuneration of the company's auditors for the provision of non-audit services was £ nil (2001: £25,150).

10 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Current tax		
UK corporation tax on profits of the period	-	48
Adjustment in report of prior periods	(3)	(2)
Total current tax	<u>(3)</u>	<u>46</u>
Deferred taxation		
Origination and reversal of timing differences	-	-
Tax on profit on ordinary activities	<u>(3)</u>	<u>46</u>

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

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation	80	113
Loss on ordinary activities multiplied by the standard rate in the UK 30%	24	40
Effects of:		
Expenses not deductible for tax purposes	6	9
Accelerated capital allowances and other timing differences	(1)	2
Group relief	(29)	(3)
Group related adjustment to the charge in respect of previous periods	(3)	(2)
Current tax charge for the period	(3)	46

11 Dividends and appropriations

	2002 £'000	2001 £'000
Dividends on equity shares:		
Ordinary - interim paid of nil p per share (2001: 2p per share)	-	61
Dividends on non-equity shares:		
Preference shares: 8.5p per share (2001: 8.5p per share)	85	85
Less: dividends waived	(85)	(85)
	-	-
	-	61

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12 Tangible fixed assets

	Computer and office equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 November 2001	206	209	415
Additions	36	28	64
Disposals	-	(176)	(176)
At 31 October 2002	242	61	303
Depreciation			
At 1 November 2001	146	74	220
Charge for year	43	28	71
Eliminated on disposals	-	(86)	(86)
At 31 October 2002	189	16	205
Net book value			
At 31 October 2002	53	45	98
At 31 October 2001	60	135	195

The net book value of tangible fixed assets includes an amount of £12,000 (2001: £135,000) in respect of assets subject to hire purchase contracts.

13 Stocks

	2002 £'000	2001 £'000
Goods for resale	28	52

14 Debtors

	2002 £'000	2001 £'000
Amounts falling due after more than one year		
Amounts recoverable on loans and advances less provisions	16,380	17,771
Amounts owed by group undertakings	-	312
Other debtors	5	3
Called up share capital not paid	-	37
Prepayments and accrued income	34	26
	16,419	18,149
Amounts falling due within one year		
Amounts recoverable on loans and advances less provisions	6,219	5,726
Amount owed by group undertakings	821	518
Other debtors	771	742
Corporation tax repayable	-	7
Prepayments and accrued income	97	51
	7,908	7,044
	24,327	25,193

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15 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdraft (see below)	10,712	14,659
Obligations under hire purchase contracts	12	50
Trade creditors	60	15
Amounts owed to group undertakings	950	-
Corporation tax	-	-
Other taxation and social security	57	26
Other creditors	88	15
Accruals and deferred income	374	45
Dividends accrued	-	263
	<u>12,253</u>	<u>15,073</u>

Bank loans and overdraft are secured directly or indirectly by legal mortgages over certain of the company's hire purchase agreements.

16 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Bank loans (see note 15)	7,960	6,159
Obligations under hire purchase contracts due in two to five years	14	51
	<u>7,974</u>	<u>6,210</u>

Bank loans and overdraft are repayable as follows:

In one year or less	10,712	14,659
Between one and two years	4,017	2,605
Between two and five years	3,943	3,554
In five years or more	-	-
	<u>18,672</u>	<u>20,818</u>

17 Provisions for liabilities and charges

		Deferred Taxation £'000
At 1 November 2001		-
Profit and loss account		-
At 31 October 2002		-
		<u>-</u>
Deferred tax (asset)/liability	2002 £'000	2001 £'000
Accelerated capital allowances	(4)	(5)
	<u>-</u>	<u>-</u>

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18 Called up share capital

	2002 £'000	2001 £'000
Authorised		
3,000,000 ordinary shares of £1 each	3,000	3,000
1,000,000 preference shares of £1 each	1,000	1,000
	<u>4,000</u>	<u>4,000</u>
Allotted and called up		
2,911,765 ordinary shares of £1 each	2,912	2,912
1,000,000 preference shares of £1 each	1,000	1,000
	<u>3,912</u>	<u>3,912</u>

The preference shares are redeemable at par at the company's or holders option at any time after 31 October 2001 but they must be redeemed by 31 October 2011. The shares are non-voting and have a preferential right to return of capital on a winding up. The preference shares have a right to a cumulative dividend of 8.5p per share per annum payable when the directors determine. The preference share holders have advised the company that they will not exercise their option for the redemption of the preference shares for a period of at least 12 months from the date of approval of the financial statements.

19 Profit and loss account

	£'000
At 1 November 2001	247
Profit for the year	83
At 31 October 2002	<u>330</u>

20 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial year	83	67
Dividends and appropriations	-	(61)
	<u>83</u>	<u>6</u>
Opening shareholders' funds	4,159	4,153
Closing shareholders' funds	<u>4,242</u>	<u>4,159</u>

21 Related party transactions

During the year the company has paid rent of £40,000 (2001: £25,000) under the terms of the lease of the company's premises to GE Williams a shareholder of the parent company Park Finance Group Limited.

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22 Financial commitments

At 31 October 2002 the company had annual commitments under non-cancellable operating leases in respect of property as follows:-

	2002	2001
	£'000	£'000
Expiring in over five years	40	30

23 Contingent liabilities

The company has guaranteed certain borrowings of Park Finance Services Limited and Park Asset Finance Limited,

24 Ultimate parent undertaking

The immediate parent undertaking is Park Finance Services Limited. The directors regard Park Finance Group Limited as the ultimate parent undertaking and as the ultimate controlling party.