Heywood Finance Limited

Annual report and financial statements

for the year ended 30 June 2002

Registered number: 3160517

DIRECTORS

H.N. Moser
P. Heywood
G.D. Beckett
C.W. Hacking (resigned 7 November 2001)
D.M. Hyland
M. Goldberg
D.J. Seabridge (appointed 3 September 2001, resigned 1 November 2002)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

AUDITORS

Deloitte & Touche
Manchester

BANKERS

Bank of Scotland
19/21 Spring Gardens
Manchester
M2 1FB

Directors' report

For the year ended 30 June 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 30 June 2002.

Principal activity and business review

The company's principal activity continues to be the provision of hire purchase finance.

The directors consider the results for the period to be satisfactory and look forward to the future with confidence.

Results and dividends

The audited financial statements for the year ended 30 June 2002 are set out on pages 6 to 15. The profit for the year, after tax was £257,746 (2001 - £131,463 (restated)).

The directors do not recommend the payment of a dividend (2001 - £nil).

Statement of directors' responsibilities

United Kingdom 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 of the profit or loss of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors and their interests

The directors of the company are set out on page 1.

P. Heywood owns 10 ordinary shares of £1 each (2001 - 10).

H.N. Moser is a director of the company's ultimate parent company, Blemain Group plc and as such, his interests in the share capital of that company are disclosed in its directors' report. None of the directors have interests in the share capital of the company, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985. No director has, or had any material interest in any contract or agreement entered into by the company during the year.

Payments to suppliers

The company agrees terms and conditions for its transactions with its suppliers. Payment is then made, provided the terms and conditions have been met by the supplier.

Auditors

On 31 July 2002 Arthur Andersen resigned as auditors of the company and the directors appointed Deloitte & Touche to fill the casual vacancy. A resolution re-appointing Deloitte & Touche as auditors for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board,

G.D. Beckett
Secretary

29 April 2003

Deloitte
& Touche

Independent auditors' report

To the members of Heywood Finance Limited

We have audited the financial statements of Heywood Finance Limited for the year ended 30 June 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, balance sheet, the statement of accounting policies and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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.

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 with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Deloitte & Touche

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 June 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Manchester
29 April 2003

Profit and loss account

For the year ended 30 June 2002

	Notes	2002	2001 Restated
		£	£
Turnover	1	1,800,776	1,871,193
Administrative expenses		(632,637)	(761,948)
Operating profit		1,168,139	1,109,245
Interest payable and similar charges	2	(797,559)	(910,107)
Profit on ordinary activities before taxation	3	370,580	199,138
Tax on profit on ordinary activities	5	(112,834)	(67,675)
Profit for the financial year	13	257,746	131,463

All activity has arisen from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 30 June 2002

	Notes	2002	2001 Restated
		£	£
Total recognised gains and losses relating to the year		257,746	131,463
Prior year adjustment	6	30,569	
Total gains and losses recognised since last annual report and financial statements		288,315	

The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet
30 June 2002

	Notes	2002	2001 Restated
		£	£
Fixed assets			
Tangible assets	7	55,457	73,413
Current assets			
Debtors			
- due within one year	8	4,917,199	5,408,867
- due after one year	8	3,949,450	5,235,153
Cash at bank and in hand		1,364,067	329,736
		10,230,716	10,973,756
Creditors: *Amounts falling due within one year*	9	(9,891,580)	(10,910,322)
Net current assets		339,136	63,434
Total assets less current liabilities		394,593	136,847
Net assets		394,593	136,847
Capital and reserves			
Called-up share capital	11	100	100
Profit and loss account	12	394,493	136,747
Equity shareholders' funds	13	394,593	136,847

The financial statements were approved by the board of directors and signed on its behalf by:

G.D. Beckett
Director

M. Goldberg
Director

29 April 2003

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

30 June 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except the policy on deferred tax which has been changed, as explained in note 6, to comply with Financial Reporting Standard 19.

Basis of accounting

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

Turnover

Turnover consists of interest received and related commissions on money lending agreements. The interest credit to the profit and loss account is calculated on a straight line basis pro rata to repayments recoverable on an accruals basis.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Statement of accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided evenly on the cost or revalued amount of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates are:

Motor vehicles	-	25% on reducing balance
Computer equipment	-	33% straight-line on cost

1 Turnover

Turnover comprises income derived from the principal activity within the UK.

2 Interest payable and similar charges

	2002	2001
	£	£
Bank overdraft	797,559	910,107

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002	2001
	£	£
Depreciation of tangible fixed assets	20,751	22,477
Staff costs (see note 4)	49,087	53,133
Auditors' remuneration	1,716	3,332

4 Staff costs

Directors' remuneration

Directors' remuneration paid by the company was as follows:

	2002	2001
	£	£
Emoluments	49,087	53,133

The company had no other employees who received remuneration during the year or prior year.

5 Tax on profit on ordinary activities

The tax charge comprises:

	2002 £	2001 Restated £
Current tax		
UK corporation tax	108,053	59,741
Adjustments in respect of previous periods		
- UK corporation tax	330	8,503
Total current tax	108,383	68,244
Deferred tax		
Origination and reversal of timing differences	4,451	(569)
Total deferred tax (see note 10)	4,451	(569)
Total tax on profit on ordinary activities	112,834	67,675

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2002 £	2001 £
Profit on ordinary activities before tax	370,580	199,138
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	111,174	59,741
Effects of:		
Expenses not deductible for tax purposes	1,330	1,621
Capital allowances in excess of depreciation	899	1,292
Other timing differences	(5,350)	(2,913)
Adjustments to tax charge in respect of previous periods	330	8,503
Current tax charge for period	108,383	68,244

6 Prior year adjustment

Financial Reporting Standard 19 "Deferred Tax" has been adopted for the first time in these financial statements. The adoption of FRS 19 has resulted in a change in accounting policy and a restatement of the prior year's results.
FRS 19 deals with the treatment of deferred taxation and, as required by the Standard, full provision has been made for all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future.

The effects of this restatement is summarised below:

	2002 £	2001 £
Profit and loss account		
Tax credit on profit on ordinary activities	4,451	569
Increase in profit for the financial year	4,451	569
Balance sheet		
Deferred tax asset	26,118	30,569
Increase in net assets	26,118	30,569

7 Tangible fixed assets

Cost	Computer equipment £	Motor vehicles £	Total £
Beginning of year	72,935	41,063	113,998
Additions	2,795	-	2,795
End of year	75,730	41,063	116,793
Depreciation			
Beginning of year	23,900	16,685	40,585
Charge for the year	14,657	6,094	20,751
End of year	38,557	22,779	61,336
Net book value			
End of year	37,173	18,284	55,457
Beginning of year	49,035	24,378	73,413

Notes to the financial statements (continued)

8 Debtors

	2002 £	2001 Restated £
Amounts falling due within one year:		
Trade debtors	4,911,797	5,395,903
Amounts due from fellow group undertakings	5,402	12,964
	4,917,199	5,408,867
Amounts falling due after more than one year:		
Trade debtors	3,923,332	5,204,584
Deferred taxation (see note 10)	26,118	30,569
	3,949,450	5,235,153
	8,866,649	10,644,020

9 Creditors: Amounts falling due within one year

	2002 £	2001 £
Amounts owed to fellow group undertakings	9,757,851	10,826,628
UK corporation tax	108,053	59,741
Other taxes and social security	4,191	74
Other creditors	4,198	-
Accruals and deferred income	17,287	23,879
	9,891,580	10,910,322

10 Deferred taxation

	Restated £
Beginning of year	30,569
Charged to profit and loss account	(4,451)
End of year	26,118

Deferred tax asset (liability) is recognised as follows:

	2002 £	2001 £
Accelerated capital allowances	(655)	(1,554)
Other timing differences	26,773	32,123
Deferred tax asset	26,118	30,569

Notes to the financial statements (continued)

11 Called-up share capital

	2002	2001
	£	£
Authorised, allotted, called-up, and fully-paid		
100 ordinary shares of £1 each	100	100

12 Reserves

	Profit and loss account
	£
At 30 June 2001 as previously stated	106,178
Prior year adjustment	30,569
At 30 June 2001 as restated	136,747
Retained profit for the financial year	257,746
At 30 June 2002	394,493

13 Reconciliation of movements in equity shareholders' funds

	2002	2001 Restated
	£	£
Profit for the financial year	257,746	131,463
Opening shareholders' funds	136,847	5,384
Closing shareholders' funds	394,593	136,847

The opening shareholders' funds at 1 July 2001 as previously reported amounted to £106,278 before the prior year adjustment of £30,569 (see note 6).

14 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of £97 million of bank borrowings of the group (2001 - £68.5 million).

15 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised 1996), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc, which has produced consolidated financial statements that are publicly available.

16 Related party transactions

As a subsidiary undertaking of Blemain Group plc, the company has taken advantage of the exemption in FRS 8, "Related party disclosures" not to disclose transactions with other members of the group headed by Blemain Group plc.

During the prior year £1,876 was paid to UK Mortgage Corporation Limited clearing all outstanding balances.

17 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Blemain Group plc, *a company incorporated in* Great Britain and registered in England and Wales.

The largest and smallest group of which Heywood Finance Limited is a member and for which group financial statements are drawn up is that headed by Blemain Group plc, whose principal place of business is Bracken House, Charles Street Manchester M1 7BD.