

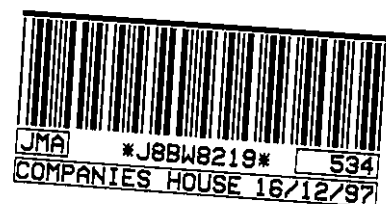
ARTHUR ANDERSEN

Heywood Finance Limited

Accounts 30 June 1997

together with directors' and auditors' reports

Registered number: 3160517



DIRECTORS

H.N. Moser
P. Heywood
C.J. Punshon

SECRETARY

M.B. Richards

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester
M1 4EU

Directors' report

For the period ended 30 June 1997

The directors present their report on the affairs of the company, together with the accounts and auditors' report for the period ended 30 June 1997.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period 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 accounts, 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 accounts; and
- prepare the accounts 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The company was incorporated on 16 February 1996.

The company's principal activity is to provide hire purchase finance.

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

Directors' report (continued)

Results and dividends

The results for the period are set out in detail on page 5. The directors do not recommend the payment of a dividend.

Directors

The present directors of the company served since incorporation and are set out on page 1.

H.N. Moser is a director of the company's ultimate parent company, Blemain Group plc and as such, his interest in the share capital of that company is disclosed in its directors' report. None of the other directors have an interest in the share capital of the company. No director has, or had any material interest in any contract or agreement entered into by the company during the period.

Payments to suppliers

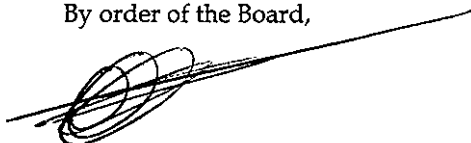
The company agrees terms and conditions for its transactions with its suppliers. Payment is then made, provided the terms and conditions have been met by the supplier.

Auditors

The directors appointed Arthur Andersen as the company's auditors during the year.

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

A handwritten signature in dark ink, appearing to be 'M.B. Richards', written over a horizontal line.

M.B. Richards
Secretary

10 December 1997

Auditors' report

Manchester

To the Shareholders of Heywood Finance Limited:

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 June 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

10 December 1997

Profit and loss account

For the period ended 30 June 1997

| | Notes | 16 months ended 30 June 1997 £ |
|---|-------|--|
| Turnover | 2 | 310,797 |
| Administrative expenses | | (169,921) |
| Operating profit | | 140,876 |
| Interest payable | 3 | (179,781) |
| Loss on ordinary activities before taxation | 4 | (38,905) |
| Tax on loss on ordinary activities | 5 | - |
| Loss for the financial period | 12 | (38,905) |

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the loss for the financial period.

A statement of movements on reserves is given in note 12.

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

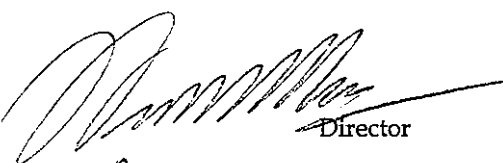
Balance sheet

30 June 1997

| | Notes | 1997 £ |
|--|-------|--------------------|
| Fixed assets | | |
| Tangible assets | 7 | <u>30,117</u> |
| Current assets | | |
| Debtors – due after one year | 8 | 1,928,091 |
| Debtors – due within one year | 8 | 1,800,095 |
| Cash at bank and in hand | | <u>100</u> |
| | | 3,728,286 |
| Creditors: Amounts falling due within one year | 9 | <u>(3,794,924)</u> |
| Net current liabilities | | <u>(66,638)</u> |
| Total assets less current liabilities | | <u>(36,521)</u> |
| Creditors: Amounts falling due after more than one year | 10 | <u>(2,284)</u> |
| Net liabilities | | <u>(38,805)</u> |
| Capital and reserves | | |
| Called-up share capital | 11 | 100 |
| Profit and loss account | 12 | <u>(38,905)</u> |
| Equity shareholders' funds | 13 | <u>(38,805)</u> |

Signed on behalf of the Board

H.N. Moser



Director

C.J. Punshon



Director

10 December 1997

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

Notes to accounts

31 December 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) *Basis of accounting*

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

b) *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.

c) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the period is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 5.

d) *Tangible fixed assets and depreciation*

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 |

e) *Leased assets*

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of the rental obligations is charged to the profit and loss account over the period of the agreement in proportion to the balance of capital repayments outstanding.

Notes to accounts (continued)

2 Turnover

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

3 Interest payable

| | 16 months ended 30 June 1997 £ |
|------------------------|--|
| Bank overdraft | 162,561 |
| Hire purchase | 1,246 |
| Other interest payable | 15,974 |
| | <hr/> 179,781 |

4 Loss before taxation

Loss before taxation is stated after charging:

| | 16 months ended 30 June 1997 £ |
|---------------------------------------|--|
| Auditors' remuneration | 7,983 |
| Depreciation of tangible fixed assets | |
| - owned | 673 |
| - under hire purchase agreements | 4,258 |
| | <hr/> |

5 Tax on profit on ordinary activities

No tax charge arises due to the loss incurred in the period being surrendered to other group undertakings free of charge.

No unprovided deferred tax liability exists at the period end.

6 Staff costs

Directors' remuneration

Directors' remuneration paid in respect of directors of the company was as follows:

| | 16 months ended 30 June 1997 £ |
|------------------|--|
| Other emoluments | <hr/> 52,673 |

Notes to accounts (continued)

6 Staff costs (continued)

The directors' remuneration shown above (excluding pensions and pension contributions) included:

| | 16 months ended 30 June 1997 £ |
|-----------------------|--|
| Highest paid director | <u>52,673</u> |

7 Tangible fixed assets

| | Computer equipment £ | Motor vehicles £ | Total £ |
|----------------|----------------------------|------------------------|---------------|
| Cost | | | |
| Additions | 4,658 | 30,390 | 35,048 |
| End of period | <u>4,658</u> | <u>30,390</u> | <u>35,048</u> |
| Depreciation | | | |
| Charge | 672 | 4,259 | 4,931 |
| End of period | <u>672</u> | <u>4,259</u> | <u>4,931</u> |
| Net book value | | | |
| End of period | <u>3,986</u> | <u>26,131</u> | <u>30,117</u> |

The net book value of tangible fixed assets include £ 10,882 in respect of assets held under hire purchase agreements.

8 Debtors

| | 1997 £ |
|---|------------------|
| Amounts falling due within one year: | |
| Trade debtors | 1,450,095 |
| Other debtors | - |
| Prepayments and accrued income | - |
| Amounts due from fellow group undertakings | 350,000 |
| | <u>1,800,095</u> |
| Amounts falling due after more than one year: | |
| Trade debtors | 1,928,091 |
| | <u>3,728,186</u> |

Notes to accounts (continued)

9 Creditors: Amounts falling due within one year

| | 1997 £ |
|--|------------------|
| Obligations under hire purchase agreements | 5,165 |
| Bank overdraft | 375,485 |
| Amounts owed to group undertakings | 3,394,771 |
| Other taxes and social security | 2,538 |
| Other creditors | 6,640 |
| Accruals and deferred income | 10,325 |
| | <u>3,794,924</u> |

The bank overdraft is secured by way of a cross-guarantee amongst all group companies.

10 Creditors: Amounts falling due after more than one year

| | 1997 £ |
|--|--------------|
| Obligations under hire purchase agreements | <u>2,284</u> |

11 Share capital

| | 1997 £ |
|--|------------|
| <i>Authorised, allotted, called up, and fully paid</i> | |
| 100 ordinary shares of £1 each | <u>100</u> |

12 Profit and loss account

| | 16 months ended 30 June 1997 £ |
|-------------------------------|--|
| Loss for the financial period | (38,905) |
| End of period | <u>(38,905)</u> |

Notes to accounts (continued)

13 Reconciliation of movements in equity shareholders' funds

| | 16 months ended 30 June 1997 |
|--------------------------------------|---------------------------------------|
| Loss for the financial period | (38,905) |
| Share issue | 100 |
| Net reduction in shareholders' funds | <hr/> (38,805) |
| Opening shareholders' funds | - |
| Closing shareholders' funds | <hr/> 38,805 <hr/> |

14 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of the £20 million bank loan held in the parent company.

15 Net liabilities

Under Section 123 of the Insolvency Act 1986, any creditor of the company could petition for it to be wound up on the grounds that it has net liabilities. However, the directors have drawn up the accounts on a going concern basis because they have received confirmation from the ultimate parent company that it will provide such financial support as is necessary to enable the company to meet its liabilities as they fall due.

16 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc, which has produced a group cash flow statement in its accounts.

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 accounts are drawn up is that headed by Blemain Group plc, whose principal place of business is Bracken House, Charles Street Manchester M1 7BD.