

Premium Credit Receivables Limited

Directors' report and financial statements

31 December 2002

Registered number 3173715



Premium Credit Receivables Limited

Directors' report and financial statements

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Premium Credit Receivables Limited

Directors' report

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

Principal activities

The company's principal activities are the financing of insurance premiums and annually renewable fees.

Business review

Premium Credit Receivables has experienced continuing strong demand for its services. The growth in turnover has mainly been due to increased volumes of business but growth in average premium rates has also been a factor.

Pre tax profits rose to £15.0 million from £9.8 million. Shareholders' funds have increased to £1.5 million from £1.0 million.

The directors anticipate significant growth in both advances and profits in the year ahead.

On 25th February 2003 the directors concluded negotiations with CDC IXIS Capital Markets in respect of a £75 million extension to the existing Group revolving credit facility. This increased the total facility to £625 million.

Results and dividend

The results of the company for the year are detailed in the profit and loss account on page 4 an interim dividend of £10,000,000 was paid on the ordinary shares during the year to the parent company (2001: £5,000,000). The directors do not recommend the payment of a final dividend (2001: £ Nil).

Directors and directors' interests

The directors who served during the year were:

S.P. Beckett	
K.J. Garrod	
D.J. Hender	(Resigned 17 th July 2002)
M.A. Johnson	
S.J. Moran	
N.C. Pearce	
G.F. Puttergill	
C.A. Ringrose	(Resigned 31 st October 2002)
S.R. Robinson	
M.P. Simpson	
C.R. Whittaker	

No director or their immediate family had any interest in the shares of the company during the period. Shareholdings of the directors in the parent company are shown in those accounts.

Premium Credit Receivables Limited

Directors' report *(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 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;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985 (as amended), a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



K.J. Garrod
Director

Premium Credit House
60 East Street
Epsom
Surrey
KT17 1HB

30th April 2003

Premium Credit Receivables Limited

Profit and loss account

for the year ended 31st December 2002

	<i>Note</i>	Year ended 2002 £'000	Year ended 2001 £'000
Turnover	2	63,338	53,433
Operating charges		(28,025)	(25,911)
Operating profit		35,313	27,522
Interest recharged to group companies		-	4,011
Interest receivable	3	-	168
Interest payable and similar charges	4	(20,330)	(21,925)
Profit on ordinary activities before taxation	5	14,983	9,776
Tax on profit on ordinary activities	6	(4,495)	(2,907)
Profit on ordinary activities after taxation		10,488	6,869
Dividends paid	7	(10,000)	(5,000)
Retained profit for the financial year	12	488	1,869

All profits relate to continuing operations.

The company has no other recognised gains and losses other than the profit for the year disclosed above.

The notes on pages 6 to 10 form part of these financial statements.

Independent Auditors' report to the members of Premium Credit Receivables Limited

We have audited the financial statements on pages 4 to 10.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 2, 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 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.

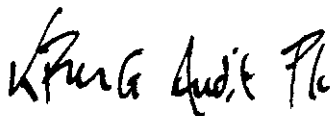
Basis of audit opinion

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 affairs of the company as at 31st December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

30th April 2003

London

Premium Credit Receivables Limited

Balance sheet at 31st December 2002

	Note	2002		2001	
		£'000	£'000	£'000	£'000
Current assets					
Debtors	8	691,887		502,557	
Cash at bank		-		226	
		<u>691,887</u>		<u>502,783</u>	
Creditors: amounts due within one year	9	<u>(146,367)</u>		<u>(64,751)</u>	
Net current assets			545,520		438,032
Creditors: amounts due after one year	10		(544,000)		(437,000)
Net Assets			<u><u>1,520</u></u>		<u><u>1,032</u></u>
Capital and Reserves:					
Called up share capital	11		-		-
Capital reserve	12		2,000		2,000
Profit and loss account	12		(480)		(968)
Shareholders' Funds	13		<u><u>1,520</u></u>		<u><u>1,032</u></u>

These financial statements were approved by the board of directors on 30th April 2003 and were signed on its behalf by:

K.J. Garrod

K.J. Garrod
Director

The notes on pages 6 to 10 form part of these financial statements.
The reconciliation of movements in shareholders' funds is shown in note 13.

Premium Credit Receivables Limited

Notes

(forming part of the financial statements)

1 **Basis of preparation**

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. They present the financial position of the company at 31st December 2002.

2 **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

The company has adopted FRS 17 'Retirement benefits', FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Turnover

Turnover represents finance charge income, net of rebates, earned during the year. All turnover was predominantly derived from the United Kingdom.

Income recognition

Sufficient finance charge income is recognised at the inception of each financing agreement to cover the company's estimated acquisition costs of that agreement. The remaining finance charge income, less amounts payable in respect of fees, commissions and rebates, is classified as unearned finance charge and is carried in the balance sheet as a deduction from trade debtors. Unearned finance charges are recognised as income over the life of each agreement in accordance with the Rule of 78 methodology. Fees, commissions and rebates payable are provided on an accruals basis.

Bad debts

Under the terms of the financing facility for the company, all debts must be current and collectible. Accordingly, when any debts are identified as irrecoverable, they are sold back to the immediate parent company, Premium Credit Limited, in accordance with the terms of the facility and provision is made for these debts in that company's accounts.

Taxation

Tax is charged on all taxable profits arising in the accounting period. Except where otherwise required by accounting standards, full provision for deferred tax without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Premium Credit Receivables Limited

Notes (continued)

2 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account.

Cash flow statement

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

3 Interest receivable

	2002 £'000	2001 £'000
Interest receivable	-	168

4 Interest payable and similar charges

	2002 £'000	2001 £'000
Payable on revolving credit facility	20,330	21,925

5 Profit on ordinary activities before taxation

Audit fees are included in the accounts of the holding company. No director of the company received any remuneration for the year ended 31st December 2002 (2001: £ nil). Remuneration of the directors in respect of services to the holding company is shown in those accounts.

The company has no employees (2001: £ nil).

Premium Credit Receivables Limited

Notes (continued)

6 Tax on profit on ordinary activities

The taxation charge consists of the following:	2002	2001
	£'000	£'000
UK corporation tax at 30 % (2001 : 30%)	4,495	2,907

There are no timing differences between the treatment of certain items for taxation and accounting purposes. Accordingly, the effective tax rate (before adjustment in respect of prior years) is the same as the standard rate of corporation tax in the UK.

7 Dividends

	2002	2001
	£'000	£'000
Interim dividend paid	10,000	5,000

8 Debtors

	2002	2001
	£'000	£'000
Trade debtors	691,887	502,557

Unearned finance charges of £15,099,573 (2001 - £11,578,615) are netted off against trade debtors.

Trade debtors also includes amounts receivable after more than one year in respect of multi-year contracts which total £0.7m at 31st December 2002 (£2.5m as at 31st December 2001).

9 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Amounts due to group undertakings	140,106	61,451
Corporation tax	4,495	1,376
Accruals	1,766	1,924
	146,367	64,751

Premium Credit Receivables Limited

Notes (continued)

10 Creditors: amounts due after one year

	2002 £'000	2001 £'000
Amounts due under revolving credit facility	544,000	437,000

On 13th December 2001 Premium Credit Receivables Ltd, a subsidiary company, replaced its existing revolving credit facility with a new revolving credit facility provided by The Royal Bank of Scotland plc, Bayerische Landesbank and Commerzbank through their respective sponsored securitisation vehicles Paris Funding Inc. (PARIS), Giro Balanced Funding Corporation (GBFC) and Premium Receivables Intermediate Securitisation Entity Funding Limited (PRISE). The facility has a fixed and floating charge on the assets of the company. The available facility as at 31st December 2002 was:

PARIS	£200 million
GBFC	£200 million
PRISE	£150 million
	<u>£550 million</u>

The advances made by the lenders are on a range of maturity dates on which interest is payable based on US Commercial Paper rates. The revolving credit facility agreement terminates on 13th December 2006.

11 Called up share capital

	2002 £	2001 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Issued, allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1

12 Reserves

		£'000
Capital reserve		
At 1st January 2002 and 31st December 2002		2,000
Profit and loss account		
	2002 £'000	2001 £'000
At 1 st January as previously reported	(968)	(2,837)
Retained profit for the financial year	488	1,869
At 31 st December	(480)	(968)

Premium Credit Receivables Limited

Notes *(continued)*

13 Reconciliation of the movement in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial year	10,488	6,869
Dividends paid	(10,000)	(5,000)
Net addition to shareholders' funds	488	1,869
Opening shareholders' funds	1,032	(837)
Closing shareholders' funds	1,520	1,032

14 Intermediate parent undertaking

The company's intermediate parent undertaking is Premium Credit Limited, which is incorporated in Great Britain and registered in England and Wales.

15 Ultimate holding company

The company's ultimate holding company is Vendcrown Limited, which is incorporated in Great Britain and registered in England and Wales.

16 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions with other group companies as it is a wholly owned subsidiary of the Vendcrown group.