

# **Vendcrown Limited**

## **Directors' report and consolidated financial statements**

**For the year ended 31 December 2001**

Registered number 3208019



# Vendcrown Limited

## Directors' report and consolidated financial statements

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# Vendcrown Limited

## Directors' report

The directors present their annual report and the audited consolidated financial statements of the group for the year ended 31st December 2001.

### Principal activities

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

### Business review

Premium Credit, the wholly owned subsidiary of Vendcrown Ltd, has experienced strong demand for its services. New business has been at record levels, with advances having grown to a total of £1.4 billion. This has mainly been due to increased volumes of business but growth in average premium rates has also been a factor.

Pre tax profits for the Group rose to £17.8 million from £4.2 million.

On 13th December 2001 the directors concluded negotiations in respect of a new £500 million funding facility for the Group, arranged by the Royal Bank of Scotland (see note 15).

The current trading year has seen further growth in Premium Credit's business volumes and the directors anticipate significant growth in both advances and profits.

### Results and dividend

The results of the group for the year are detailed in the consolidated profit and loss account on page 4. The directors do not recommend the payment of a dividend on the ordinary shares.

### Fixed assets

Details of changes in the tangible fixed assets of the group are shown in note 12 to the financial statements.

### Directors and directors' interests

The directors who served during the year ended 31st December 2001 are:

|                 |   |
|-----------------|---|
| G.F. Puttergill |   |
| L.D. Stoffberg  |   |
| C.A. Ringrose   |   |
| M.H. Cobb       |   |
| D.W. Symondson  |   |
| K.J. Garrod     | (Appointed 6 <sup>th</sup> December 2001) |

# Vendcrown Limited

## Directors' report (*continued*)

Interests of the directors in the shares and other securities in the company are as follows:

### Direct holdings

|               | "A" Shares<br>2000 and 2001 | "B" Shares<br>2000 and 2001 |
|---------------|-----------------------------|-----------------------------|
| C.A. Ringrose | 1,212,500                   | -                           |

### Beneficial interests in shares held in trust

|                |           |           |
|----------------|-----------|-----------|
| L.D. Stoffberg | -         | 1,514,090 |
| M.H. Cobb      | 1,212,500 | -         |
| D.W. Symondson | -         | 5,459     |

### 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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

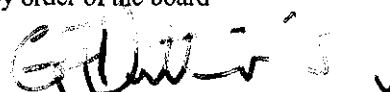
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

In accordance with Section 385 of the Companies Act 1985 (as amended), a resolution for the re-appointment of KPMG Audit Plc as auditors of the company and group is to be proposed at the forthcoming Annual General Meeting.

By order of the board



G.F. Puttergill  
Chairman

Premium Credit House  
60 East Street  
Epsom  
Surrey  
KT17 1HB

2/5/02

# Vendcrown Limited

## Independent Auditors' report to the members of Vendcrown Limited

We have audited the consolidated financial statements on pages 4 to 22.

### *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.

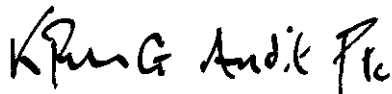
### *Basis of audit opinion*

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 and the group as at 31st December 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

London

2 May 2002

# Vendcrown Limited

## Consolidated profit and loss account for the year ended 31 December 2001

|  | Note | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) |
|--|------|------------------------|---|
| <b>Advances</b>  | 2    | <b>1,401,000</b>       | <b>1,153,377</b>                        |
| <b>Turnover: group and share of joint venture and associate – continuing operations</b>                  | 2    | <b>97,094</b>          | <b>64,513</b>                           |
| Less: share of joint venture's turnover  |      | (1,144)                | (810)                                   |
| Less: share of associate's turnover  | 11   | (39,654)               | (16,844)                                |
| <b>Group turnover - continuing operations</b>  |      | <b>56,296</b>          | <b>46,859</b>                           |
| Staff costs  | 4    | (10,106)               | (7,953)                                 |
| Other operating charges  |      | (10,148)               | (7,241)                                 |
| Exceptional bad debt provision   |      | -                      | (8,000)                                 |
| <b>Group operating profit – continuing operations</b>  |      | <b>36,042</b>          | <b>23,665</b>                           |
| Share of operating profit in joint venture   |      | 814                    | 488                                     |
| Share of operating profit in associate   | 11   | 1,310                  | 1,135                                   |
| <b>Total operating profit: of group and share of joint venture and associate – continuing operations</b> |      | <b>38,166</b>          | <b>25,288</b>                           |
| Interest receivable and recharged  | 6    | 1,916                  | 767                                     |
| Interest payable and similar charges   |      |                        |   |
| Group  | 7    | (21,925)               | (21,556)                                |
| Share of joint venture   |      | (209)                  | (208)                                   |
| Share of associate   | 11   | (145)                  | (116)                                   |
| <b>Profit on ordinary activities before taxation</b>   | 8    | <b>17,803</b>          | <b>4,175</b>                            |
| Tax on profit on ordinary activities   | 9    | (6,472)                | (1,428)                                 |
| <b>Profit on ordinary activities after taxation</b>  |      | <b>11,331</b>          | <b>2,747</b>                            |
| Dividends  |      | -                      | -                                       |
| <b>Retained profit for year</b>  | 18   | <b>11,331</b>          | <b>2,747</b>                            |

All profits relate to continuing operations.  
The notes on pages 9 to 22 form part of these financial statements.

# Vendcrown Limited

## Group statement of recognised gains and losses for the year ended 31 December 2001

|   | Note | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) |
|---|------|------------------------|---|
| <b>Profit for the financial year:</b>   |      |                        |   |
| Group   |      | 10,084                 | 1,770                                   |
| Share of joint venture's profit for the year  |      | 423                    | 280                                     |
| Share of associate's profit for the year  | 11   | 824                    | 697                                     |
|   |      | <hr/>                  | <hr/>                                   |
| <b>Total recognised gains and losses for the financial year<br/>of group and share of joint venture and associate</b> |      | <b>11,331</b>          | <b>2,747</b>                            |
|   |      | <hr/>                  | <hr/>                                   |
| <b>Note on prior year adjustment</b>  |      |                        |   |
| Total recognised gains and losses relating to the year (as above)   |      | 11,331                 |   |
| Prior year adjustment   | 3    | (3,572)                |   |
|   |      | <hr/>                  |   |
| <b>Total gains and losses recognised since the last annual report</b>   |      | <b>7,759</b>           |   |
|   |      | <hr/>                  |   |

# Vendcrown Limited

## Consolidated balance sheet as at 31 December 2001

|  | Note | Total<br>2001<br>£'000 | Total<br>2000<br>£'000<br>(As restated) |
|--|------|------------------------|---|
| <b>Fixed assets</b>                                      |      |                        |   |
| Tangible assets  | 12   | 2,839                  | 1,688                                   |
| Investments  |      |                        |   |
| Investment in joint venture – share of gross assets      | 11   | 10,868                 | 10,172                                  |
| Investment in joint venture – share of gross liabilities | 11   | (10,256)               | (9,984)                                 |
|  |      | 612                    | 188                                     |
| Investment in associate                                  | 11   | 1,521                  | 697                                     |
|  |      | <hr/> 4,972            | <hr/> 2,573                             |
| <b>Current assets</b>                                    |      |                        |   |
| Debtors  | 13   | 528,641                | 483,996                                 |
| Cash at bank and in hand                                 |      | 1,483                  | 5,406                                   |
|  |      | <hr/> 530,124          | <hr/> 489,402                           |
| <b>Creditors: amounts due within one year</b>            | 14   | (123,791)              | (529,001)                               |
| <b>Net current assets/(liabilities)</b>                  |      | <hr/> 406,333          | <hr/> (39,599)                          |
| <b>Creditors: amounts due after more than one year</b>   | 15   | (437,000)              | -                                       |
|  |      | <hr/> (25,695)         | <hr/> (37,026)                          |
|  |      | <hr/> <hr/>            | <hr/> <hr/>                             |
| <b>Capital and reserves</b>                              |      |                        |   |
| Share capital  | 17   | 15                     | 15                                      |
| Share premium  | 18   | 991                    | 991                                     |
| Other reserves   | 18   | 2,926                  | 2,926                                   |
| Profit and loss account                                  | 18   | (29,627)               | (40,958)                                |
|  |      | <hr/>                  | <hr/>                                   |
| <b>Shareholders' funds</b>                               | 19   | (25,695)               | (37,026)                                |
|  |      | <hr/> <hr/>            | <hr/> <hr/>                             |

These financial statements were approved by the board of directors on 2/5/02 and were signed on its behalf by:

  
G.F. Puttergill  
Chairman

Goodwill amounting to £50,658,689, arising from the purchase of Premium Credit Limited, was written off to profit and loss account reserves in the year ended 31<sup>st</sup> December 1996.

The notes on pages 9 to 22 form part of these financial statements.

The reconciliation of movements in shareholders' funds is shown in note 19.



# Vendcrown Limited

## Company balance sheet at 31 December 2001

|   | Note | 2001<br>£'000 | 2000<br>£'000<br>(As restated) |
|---|------|---------------|--------------------------------|
| <b>Fixed asset investments</b>                |      |               |                                |
| Investment in subsidiary                      | 11   | 50,669        | 50,669                         |
| <b>Creditors: amounts due within one year</b> | 14   | (50,158)      | (49,928)                       |
| <b>Total net assets</b>                       |      | <u>511</u>    | <u>741</u>                     |
| <b>Capital and reserves:</b>                  |      |               |                                |
| Share capital                                 | 17   | 15            | 15                             |
| Share premium                                 | 18   | 991           | 991                            |
| Other reserves                                | 18   | 2,926         | 2,926                          |
| Profit and loss account                       | 18   | (3,421)       | (3,191)                        |
|   | 19   | <u>511</u>    | <u>741</u>                     |

These financial statements were approved by the board of directors on 2/5/02 and were signed on its behalf by:



**G.F. Puttergill**  
Chairman

The notes on pages 9 to 22 form part of these financial statements. The reconciliation of movements in shareholders' funds is shown in note 19.

# Vendcrown Limited

## Consolidated cash flow statement for the year ended 31st December 2001

|   | Note | 2001<br>£'000 | 2000<br>£'000<br>(As restated) |
|---|------|---------------|--------------------------------|
| Cash outflow from operating activities          | 21   | (35,172)      | (49,841)                       |
| Returns on investments and servicing of finance | 22   | (20,509)      | (21,118)                       |
| Taxation  |      | (3,534)       | (2,492)                        |
| Capital expenditure and financial investment    | 23   | (1,551)       | (770)                          |
| Cash outflow before financing                   |      | (60,766)      | (74,221)                       |
| Financing<br>Increase in debt                   | 23   | 58,000        | 67,030                         |
| Decrease in cash                                |      | (2,766)       | (7,191)                        |

### Reconciliation of net cash outflow to movement in net debt (Note 23)

|  | Year ended<br>2001<br>£'000 |           | Year ended<br>2000<br>£'000<br>(As restated) |           |
|--|-----------------------------|-----------|--|-----------|
| Decrease in cash in the period               | (2,766)                     |           | (7,191)                                      |           |
| Cash inflow from increase in debt            | (58,000)                    |           | (67,030)                                     |           |
| Change in net debt resulting from cash flows |                             | (60,766)  |  | (74,221)  |
| Net debt at 1 January 2001                   |                             | (387,715) |  | (313,494) |
| Net debt at 31 December 2001                 |                             | (448,481) |  | (387,715) |

# Vendcrown 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 and its subsidiary at 31st December 2001 and incorporate the results of both companies for the year ended 31st December 2001. The financial statements also include the group's share of the assets, liabilities and results of joint ventures and associates.

The accounting policy for the provision for unearned finance charges was changed for the year ended 31st December 2001 and comparative figures have been restated accordingly. The policy is described in note 2 below and further details of the changes are set out in note 3.

### 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.

#### *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 group'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.

The deduction of fees, commissions and rebates payable before calculating the unearned finance charge and the separate accrual for fees, commissions and rebates represent a change in accounting policy and provides a more appropriate profile of income recognition over the full life of an agreement.

#### *Bad debts*

Specific provisions are made against debtors when balances are identified as irrecoverable. In addition, provisions are made to reflect the losses inherent in the portfolio at the balance sheet date, measured by reference to historic credit performance.

#### *Depreciation*

All tangible fixed assets are depreciated on a straight-line basis by reference to their estimated useful life. This is a period of 4 years for all but technology development costs which are depreciated over a period of 3 years. Leasehold improvements are written off over the period of the lease.

# Vendcrown Limited

## Notes (continued)

### 2 Accounting policies (continued)

#### *Pension costs*

The Group operates a defined contribution scheme and has adopted FRS17 on accounting for pension costs in that the group's contributions are written off to the profit and loss account as they are incurred.

#### *Deferred taxation*

Deferred taxation in respect of the taxation effect of material timing differences is provided only to the extent that it is probable that assets or liabilities will crystallise.

#### *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.

#### *Operating leases*

Costs in respect of operating leases are charged to the profit and loss account as they are incurred.

### 3 Prior year adjustment

As noted above, the accounting policy for the calculation of unearned finance charges and accrual for amounts payable in respect of fees, commissions and rebates was changed for the year ended 31<sup>st</sup> December 2001 to more accurately reflect the income earned on an agreement over its full life. The effect on the current year's group profits is to reduce the profit before tax by £163,000 and the retained reserves by £114,000.

In respect of the year ended 31<sup>st</sup> December 2000, the application of the prior year adjustment has reduced the pre tax profit by £625,000 and the retained reserves for the year by £438,000

Applying the change of accounting policies to all years, consolidated shareholders' funds as at 31<sup>st</sup> December 2000 have been reduced by £3,572,000 to (£37,026,000) and at 31<sup>st</sup> December 2001, consolidated shareholders' funds have been reduced by £3,686,000 to (£25,695,000).

# Vendcrown Limited

## Notes (continued)

### 4 Employees and Directors

#### Staff

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

|                | 2001<br>Number | 2000<br>Number |
|----------------|----------------|----------------|
| Administration | 249            | 233            |
| Other          | 16             | 15             |
|                | <hr/> 265      | <hr/> 248      |

The aggregate payroll costs of these persons were as follows:

|                       | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 |
|-----------------------|------------------------|------------------------|
| Wages and salaries    | 9,170                  | 7,130                  |
| Social security costs | 841                    | 678                    |
| Other pension costs   | 95                     | 145                    |
|                       | <hr/> 10,106           | <hr/> 7,953            |

The Group operates a defined contribution Personal Pension Plan on behalf of its qualifying employees and pays contributions to each of the employee's schemes on a monthly basis. These contributions are written off to the profit and loss account as they are incurred. Total outstanding contributions at 31<sup>st</sup> December 2001 amounted to £19,108 (2000: £23,840).

From 1st April 1997, all eligible Vendcrown group employees were invited to join a group personal pension plan. Benefits accruing to each member are on a defined contribution basis. Existing members of the HSBC Group plan either transferred their accumulated fund to the new plan or had their fund treated as fully paid up.

#### Directors

|  | 2001<br>£'000 | 2000<br>£'000 |
|--|---------------|---------------|
| Emoluments   | 1,711         | 1,026         |
| Company contributions to money purchase schemes                    | 37            | 33            |
|  | <hr/> 1,748   | <hr/> 1,059   |
| Number of directors accruing benefits under money purchase schemes | <hr/> 4       | <hr/> 4       |

# Vendcrown Limited

## Notes (continued)

### 4 Employees and Directors (continued)

|  | 2001<br>£'000 | 2000<br>£'000 |
|--|---------------|---------------|
| The above details include the following amounts in respect of the highest paid director: |               |               |
| Emoluments   | 518           | 313           |
| Company contributions to money purchase pension scheme                                   | 12            | 10            |
|  | <u>530</u>    | <u>323</u>    |

### 5 Exceptional item

In May 1999 Premium Credit Limited (PCL) concluded an agreement with Independent Insurance Company Limited (IICL). This gave PCL the right to provide instalment financing to IICL's corporate and personal customers. On 18<sup>th</sup> June 2001, IICL appointed Price Waterhouse Coopers (PWC) as provisional liquidators.

Of the gross debtor balance due at 31<sup>st</sup> December 2000 of approximately £58m, some £46m was either collected or subject to set off against amounts due to IICL included in creditors. Of the net outstanding balance of approximately £12m, £8m was provided, leaving a balance of approximately £4m in the financial statements at 31 December 2000. Based on current information available to the directors, they do not believe that any further provision is required in the financial statements at 31 December 2001.

### 6 Interest receivable and recharged

|                                     | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 |
|-------------------------------------|------------------------|------------------------|
| Interest receivable                 | 353                    | 414                    |
| Interest receivable from associate  | 1,563                  | 342                    |
| Interest recharged to joint venture | -                      | 11                     |
|                                     | <u>1,916</u>           | <u>767</u>             |

### 7 Interest payable and similar charges

|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 |
|---|------------------------|------------------------|
| Interest payable on revolving credit facility | 21,925                 | 21,506                 |
| Bank interest                                 | -                      | 50                     |
|   | <u>21,925</u>          | <u>21,556</u>          |

# Vendcrown Limited

## Notes (continued)

### 8 Profit on ordinary activities before taxation

|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 |
|---|------------------------|------------------------|
| Profit on ordinary activities before<br>taxation is stated after charging the following : |                        |                        |
| Hire of plant and machinery   | 374                    | 260                    |
| Depreciation  | 400                    | 247                    |
| Auditors remuneration :   |                        |                        |
| Group audit fees  | 208                    | 90                     |
| Group other fees  | 264                    | 14                     |
| Company audit fees  | -                      | 5                      |
| Company other fees  | -                      | 2                      |
|   | <hr/>                  | <hr/>                  |

### 9 Tax on profit on ordinary activities

|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) |
|---|------------------------|---|
| The taxation charge consists of the following:  |                        |   |
| UK corporation tax at 30%                       |                        |   |
| Group   | 5,756                  | 829                                     |
| Share of joint venture's tax on profit for year | 182                    | 107                                     |
| Share of associate's tax on profit for year     | 341                    | 322                                     |
| Under provision in respect of prior years       | 193                    | 170                                     |
|   | <hr/>                  | <hr/>                                   |
|   | 6,472                  | 1,428                                   |
|   | <hr/>                  | <hr/>                                   |

### 10 Profit of parent company

As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £230,039 (2000: £ 4,770,904).

# Vendcrown Limited

## Notes (continued)

11

Fixed asset investments

Company

2000 and 2001

Investment in subsidiary:

£'000

Purchase price

50,669

Principal Subsidiary Undertakings

| Name                                 | Principal activity | Class of share held | Proportion of class held | Group interest |
|--------------------------------------|--------------------|---------------------|--------------------------|----------------|
| Premium Credit Limited               | Premium financing  | Ordinary            | 100                      | 100%           |
| Premium Credit Receivables Limited   | Premium financing  | Ordinary            | 100                      | 100%           |
| Direct Debit Management Services Ltd | Dormant            | Ordinary            | 100                      | 100%           |

Shares in Premium Credit Receivables Limited and Direct Debit Management Services Limited are held by the direct subsidiary of Vendcrown Limited, Premium Credit Limited.

Joint Venture

Premium Credit Limited holds a 50% interest in an unincorporated venture, Holmwoods Termttime Collections (HTC). HTC is principally involved in the financing of school fees.

Associate

Premium Credit Limited holds 20% of the ordinary shares of Electricity Direct (UK) Limited, a company incorporated in Great Britain and registered in England and Wales. The principal activity of the company is the supply of electricity. The company's accounting reference date is 31<sup>st</sup> March and accordingly management accounts, drawn up to 31<sup>st</sup> December 2001, have been used for the purposes of these financial statements. The group's share of the results and net assets of the associate are as follows:

|                                 |         |
|---------------------------------|---------|
|                                 | 2001    |
|                                 | £'000   |
| Turnover                        | 39,654  |
| Operating profit                | 1,310   |
| Interest payable                | (145)   |
| Profit before taxation          | 1,165   |
| Taxation                        | (341)   |
| Profit after taxation           | 824     |
| Intangible assets               | 424     |
| Fixed assets                    | 989     |
| Current assets                  | 9,372   |
| Liabilities due within one year | (9,264) |
| Attributable Net assets         | 1,521   |



# Vendcrown Limited

## Notes (continued)

### 12 Tangible fixed assets

|                       | Group                                  | Group                              | Group          |
|-----------------------|--|------------------------------------|----------------|
|                       | Equipment<br>and other assets<br>£'000 | Leasehold<br>improvements<br>£'000 | Total<br>£'000 |
| <b>Cost</b>           |  |                                    |                |
| At 1 January 2001     | 1,263                                  | 919                                | 2,182          |
| Additions             | 1,476                                  | 75                                 | 1,551          |
| At 31 December 2001   | <u>2,739</u>                           | <u>994</u>                         | <u>3,733</u>   |
| <b>Depreciation</b>   |  |                                    |                |
| At 1 January 2001     | 439                                    | 55                                 | 494            |
| Charged in year       | 360                                    | 40                                 | 400            |
| At 31 December 2001   | <u>799</u>                             | <u>95</u>                          | <u>894</u>     |
| <b>Net book value</b> |  |                                    |                |
| At 31 December 2001   | <u>1,940</u>                           | <u>899</u>                         | <u>2,839</u>   |
| At 31 December 2000   | <u>824</u>                             | <u>864</u>                         | <u>1,688</u>   |

### 13 Debtors

|  | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) | Company<br>2001<br>£'000 | Company<br>2000<br>£'000 |
|--|------------------------|---|--------------------------|--------------------------|
| Trade debtors                              | 503,384                | 467,648                                 | -                        | -                        |
| Amounts owed by participating<br>interests | 22,395                 | 11,268                                  | -                        | -                        |
| Prepayments and accrued income             | 1,474                  | 1,151                                   | -                        | -                        |
| Corporation tax recoverable                | 374                    | 3,929                                   | -                        | -                        |
| Deferred tax asset                         | 1,014                  | -                                       | -                        | -                        |
|  | <u>528,641</u>         | <u>483,996</u>                          | <u>-</u>                 | <u>-</u>                 |

Unearned finance charges of £11,578,615 (2000 - £12,378,000) are netted off against trade debtors.

Included in debtors are amounts receivable after more than one year in respect of multi year contracts. These total £2.5 m in respect of 2001 and £23m in respect of 2000.

During the year fees of £1.43 million relating to the renewal of the revolving credit facility were taken to prepayments. These have been capitalised and are being written off over the life of the facility. 20% has been written off to the profit and loss account this year and the remaining 80% will be written off over the next 4 years.

# Vendcrown Limited

## Notes (continued)

### 14 Creditors: amounts falling due within one year

|  | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) | Company<br>2001<br>£'000 | Company<br>2000<br>£'000 |
|--|------------------------|---|--------------------------|--------------------------|
| Bank overdrafts  | 12,964                 | 14,121                                  | -                        | -                        |
| Trade creditors  | 99,097                 | 129,126                                 | -                        | -                        |
| Other creditors including taxation and social security           | 4,696                  | 1,834                                   | -                        | -                        |
| Amounts owed to group companies                                  | -                      | -                                       | 49,225                   | 49,505                   |
| Accruals   | 7,034                  | 4,920                                   | 933                      | 423                      |
| Amounts due under a revolving credit facility                    |                        | 379,000                                 | -                        | -                        |
|  | <u>123,791</u>         | <u>529,001</u>                          | <u>50,158</u>            | <u>49,928</u>            |
| Other creditors including taxation and social security comprise: |                        |   |                          |                          |
| Corporation tax  | 2,390                  | 1,172                                   | -                        | -                        |
| Other creditors  | 2,306                  | 662                                     | -                        | -                        |
|  | <u>4,696</u>           | <u>1,834</u>                            | <u>-</u>                 | <u>-</u>                 |

Included in trade creditors are amounts payable after more than one year in respect of multi year contracts. These total £2.4 m in respect of 2001 and £19.9m in respect of 2000.

Fixed and floating charges are registered in the Group in favour of the Royal Bank of Scotland plc, to secure the overdraft, and in favour of the providers of the revolving credit facility (see note 15).

# Vendcrown Limited

## Notes (continued)

### 15 Creditors: amounts due after one year

|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 |
|---|------------------------|------------------------|
| Amounts under revolving credit facility | 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 registered in the Group. The available facility as at 31st December 2001 was:

|       |              |
|-------|--------------|
| PARIS | £175 million |
| GBFC  | £175 million |
| PRISE | £150 million |
|       | <hr/>        |
|       | £500 million |

The advances made by the current and previous lenders are on a range of maturity dates on which dates interest is payable, previously based on LIBOR and now based on US Commercial Paper rates. The revolving credit facility agreement terminates on 13<sup>th</sup> December 2006.

### 16 Obligations under leases

Annual commitments under non-cancellable operating leases are as follows:

|                                   | <u>Land and buildings</u> |               | <u>Other</u>  |               |
|-----------------------------------|---------------------------|---------------|---------------|---------------|
| <u>Group only</u>                 | 2001<br>£'000             | 2000<br>£'000 | 2001<br>£'000 | 2000<br>£'000 |
| Operating leases<br>which expire: |                           |               |               |               |
| Within one year                   | -                         | -             | 32            | 19            |
| In two to five years              | -                         | -             | 187           | 214           |
| In over five years                | 542                       | 542           | -             | -             |
|                                   | <hr/>                     | <hr/>         | <hr/>         | <hr/>         |

# Vendcrown Limited

## Notes (continued)

### 17 Called up share capital

|  | Company<br>2001<br>£ | Company<br>2000<br>£ |
|--|----------------------|----------------------|
| <b>Issued and paid up</b>              |                      |                      |
| 3,637,500 "A" ordinary shares of 0.1p  | 3,638                | 4,850                |
| 11,059,467 "B" ordinary shares of 0.1p | 11,059               | 9,847                |
|  | <u>14,697</u>        | <u>14,697</u>        |

The authorised share capital of the company is £18,932. "A" and "B" ordinary shares rank pari passu in all respects

### 18 Share premium and reserves

|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 | Company<br>2001<br>£'000 | Company<br>2000<br>£'000 |
|---|------------------------|------------------------|--------------------------|--------------------------|
|   | (As restated)          |                        |                          |                          |
| <b>Share premium</b>                                    |                        |                        |                          |                          |
| At 1 January 2001 and 31 December 2001                  | <u>991</u>             | <u>991</u>             | <u>991</u>               | <u>991</u>               |
| <b>Other reserves</b>                                   |                        |                        |                          |                          |
| At 1 January 2001 and 31 December 2001                  | <u>2,926</u>           | <u>2,926</u>           | <u>2,926</u>             | <u>2,926</u>             |
| <b>Profit and Loss Account</b>                          |                        |                        |                          |                          |
|   | Group<br>2001<br>£'000 | Group<br>2000<br>£'000 | Company<br>2001<br>£'000 | Company<br>2000<br>£'000 |
|   | (As restated)          |                        |                          |                          |
| At 1 January as previously reported                     | (37,386)               | (40,571)               | (3,191)                  | 1,579                    |
| Prior year adjustment (note 3)                          | (3,572)                | (3,134)                |                          |                          |
| At 1 January as restated                                | <u>(40,958)</u>        | <u>(43,705)</u>        |                          |                          |
| Retained profit/(loss) on ordinary activities after tax | <u>11,331</u>          | <u>2,747</u>           | <u>(230)</u>             | <u>(4,770)</u>           |
| At 31 December  | <u>(29,627)</u>        | <u>(40,958)</u>        | <u>(3,421)</u>           | <u>(3,191)</u>           |

# Vendcrown Limited

## Notes (continued)

### 19 Reconciliation of the movement in shareholders' funds

|  | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) | Company<br>2001<br>£'000 | Company<br>2000<br>£'000 |
|--|------------------------|---|--------------------------|--------------------------|
| Profit for the financial year as previously reported | 11,331                 | 3,185                                   | (230)                    | (4,770)                  |
| Prior year adjustment (note 3)                       | -                      | (438)                                   | -                        | -                        |
| Profit for the financial year as restated            | 11,331                 | 2,747                                   | (230)                    | (4,770)                  |
| Opening shareholders' funds as previously reported   | (33,454)               | (36,639)                                | 741                      | 5,511                    |
| Prior year adjustment (note 3)                       | (3,572)                | (3,134)                                 | -                        | -                        |
| Opening shareholders' funds as restated              | (37,026)               | (39,773)                                | 741                      | 5,511                    |
| Closing shareholders' funds                          | (25,695)               | (37,026)                                | 511                      | 741                      |

Non equity shareholder funds of both the company and the group amount to £nil

### 20 Related party transactions

Director's fees of £19,299 (2000: £18,756), paid or accrued during the year, relate to Electra Partners Europe Limited which is one of the shareholders of Vendcrown Limited.

One of the company's subsidiaries, Premium Credit Limited has previously been recharged certain expenditure by a subsidiary of HSBC Gibbs Holdings Limited which is one of the shareholders of Vendcrown Limited. Total expenditure recharged in the year ended 31st December 2001 amounted to £ nil (2000: £243,856)

Premium Credit Limited, holds a 50% interest in Holmwoods Termtime Collections, pays the partnership's expenses on its behalf and recharges them onto the partnership. Premium Credit Limited also acts as a collection agent for the partnership.

The other 50 % interest in the partnership is held by a subsidiary of HSBC Gibbs Holdings Limited, one of the shareholders of Vendcrown Limited.

Premium Credit Limited (PCL) also holds 20% of the ordinary shares of Electricity Direct (UK) Limited (EDL) – (refer to note 11). PCL acts as collection agent for EDL. It also pays certain expenses on EDL's behalf. At 31st December 2001 the balance owed by EDL to PCL was £22,395,000 (2000: £10,478,058).

# Vendcrown Limited

## Notes (continued)

### 21 Reconciliation of operating profit to operating cashflows

|  | Continuing operations  |   |
|--|------------------------|---|
|  | Group<br>2001<br>£'000 | Group<br>2000<br>£'000<br>(As restated) |
| Operating profit as previously reported    | 36,042                 | 24,290                                  |
| Prior year adjustment (note 3)             | -                      | (625)                                   |
| Operating profit as restated               | <u>36,042</u>          | <u>23,665</u>                           |
| Depreciation charge                        | 400                    | 247                                     |
| Increase in debtors                        | (47,186)               | (121,402)                               |
| Increase / (Decrease) in creditors         | (24,428)               | 47,649                                  |
| Net cash outflow from operating activities | <u>(35,172)</u>        | <u>(49,841)</u>                         |

### 22 Analysis of cashflows for headings netted in the Cash Flow Statement

| <u>Returns on investments and<br/>servicing of finance</u>              | Year ended    |                 | Year ended    |                                |
|---|---------------|-----------------|---------------|--------------------------------|
|   | 2001<br>£'000 | 2001<br>£'000   | 2000<br>£'000 | 2000<br>£'000<br>(As restated) |
| Dividends received from joint venture                                   | -             | -               | 184           |                                |
| Interest received and recharged   | 1,916         |                 | 767           |                                |
| Interest paid   | (22,425)      |                 | (22,069)      |                                |
| Net cash outflow from returns on<br>investment and servicing of finance |               | <u>(20,509)</u> |               | <u>(21,118)</u>                |

# Vendcrown Limited

## Notes (continued)

### 23 Analysis of cashflows for headings netted in the Cash Flow Statement (continued)

| <u>Capital expenditure and financial investment</u>                       | Year ended |                | Year ended    |               |
|---|------------|----------------|---------------|---------------|
|   | 2001       | 2001           | 2000          | 2000          |
|   | £'000      | £'000          | £'000         | £'000         |
|   |            |                | (As restated) |               |
| Purchase of tangible fixed assets   | (1,551)    |                | (770)         |               |
| <b>Net cash outflow from capital expenditure and Financial investment</b> |            | <b>(1,551)</b> |               | <b>(770)</b>  |
| <u>Financing</u>  |            |                |               |               |
| <u>Debt due within one year:</u>  |            |                |               |               |
| Short term borrowings   | -          |                | -             |               |
| Loan stock  | -          |                | -             |               |
| Revolving credit facility   | (379,000)  |                | 379,000       |               |
| <u>Debt due after one year:</u>   |            |                |               |               |
| Revolving credit facility   | 437,000    |                | (311,970)     |               |
|   |            | 58,000         |               | 67,030        |
|   |            | <u>58,000</u>  |               | <u>67,030</u> |

### 24 Analysis of net debt

|                                  | At 1 January     |                 | At 31 December   |
|----------------------------------|------------------|-----------------|------------------|
|                                  | 2001             | Cashflow        | 2001             |
|                                  | £'000            | £'000           | £'000            |
| Cash in hand and at bank         | 5,406            | (3,923)         | 1,483            |
| Overdrafts                       | (14,121)         | 1,157           | (12,964)         |
|                                  | <u>(8,715)</u>   | <u>(2,766)</u>  | <u>(11,481)</u>  |
| <u>Revolving credit facility</u> |                  |                 |                  |
| Debt due within one year         | (379,000)        | 379,000         | -                |
| Debt due after one year          | -                | (437,000)       | (437,000)        |
|                                  | <u>(379,000)</u> | <u>(58,000)</u> | <u>(437,000)</u> |
| Total                            | <u>(387,715)</u> | <u>(60,766)</u> | <u>(448,481)</u> |

# Vendcrown Limited

## Notes *(continued)*

### 25. **Post Balance Sheet Event**

In April 2002 in order to further strengthen the capital base, the company successfully concluded the issue of £10 million unsecured loan notes from existing shareholders.