

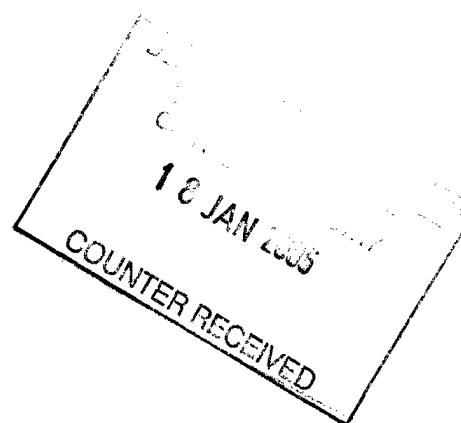


Open and Direct Retail Services
Limited

Financial statements

Year ended 31 March 2004

Company registration number: NI 32565



Open and Direct Retail Services Limited

Directors' report and financial statements

<i>Table of contents</i>	<i>Page</i>
Directors and other information	1
Directors' report	2
Statement of Directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes forming part of the financial statements	8

Open and Direct Retail Services Limited

Directors and other information

Directors	Paul Elliott Samuel Downey Geoffrey Farmer
Secretary	Geoffrey Farmer
Auditors	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6HD
Bankers	Barclays Bank plc 54 Lombard Street London EC3P 3AH Bank of Scotland 55 Temple Row Birmingham B2 5LS
Solicitors	Tughans Marlborough House 30 Victoria Street Belfast BT1 3GS
Registered office	Royston House 34 Upper Queen Street Belfast BT1 6FD
Company registration number	NI 32565

Open and Direct Retail Services Limited

Directors' report

The directors herewith submit their annual report together with the audited financial statements for the year ended 31 March 2004.

Principal activity

The principal activities of the company during the year were the provision of point of sale credit facilities for retail clients, the provision of insurance premium financing facilities for insurance brokers through its Premium First trading division and the provision of personal loan and credit insurance to consumers.

Results and dividends

The underlying trading performance of the company improved significantly during the year. Turnover for the year at £22.5m was 17% higher than that achieved in the previous financial year. The company has also seen significant improvement in the yield of its credit book through increasing lending volume in both the unsecured personal loan and insurance premium financing sectors.

The profit retained for the year, after exceptional items, taxation and dividends amounted to £560,000 (2003: loss of £6,757,000). No dividend was paid in the year.

Political and charitable contributions

The company made no political or charitable donations during the year.

Directors' interests

The directors who held office during the year were as follows:

Paul Elliott
Samuel Downey
Geoffrey Farmer

The directors who held office at the end of the financial year had the following disclosable interests in the shares of the ultimate parent company Open and Direct Group Limited.

	<i>Ordinary shares</i>	<i>Interest at start of year or date of appointment</i>
Samuel Downey	20,000	20,000
Paul Elliott	30,000	30,000
Geoffrey Farmer	20,000	20,000

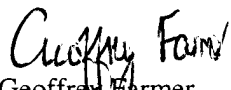
Open and Direct Retail Services Limited

Directors' report *(continued)*

Auditors

KPMG have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board


Geoffrey Farmer
Secretary

10 January 2005

Open and Direct Retail Services Limited

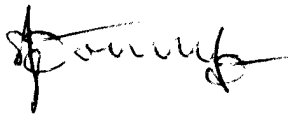
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give, in accordance with applicable Northern Ireland law and accounting standards, a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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 maintaining 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 (Northern Ireland) Order 1986. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board



Samuel Downey
Director

10 January 2005



Chartered Accountants

Stokes House
College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of Open and Direct Retail Services Limited

We have audited the financial statements on pages 6 to 16.

This report is made solely to the company's members as a body in accordance with article 243 of the Companies (Northern Ireland) Order 1986. 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable Northern Ireland law and accounting standards. Our responsibilities, as independent auditors, are established in Northern Ireland 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 (Northern Ireland) Order 1986. 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 the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.


KPMG
Chartered Accountants
Registered Auditors

10 January 2005



Open and Direct Retail Services Limited

Profit and loss account

Year ended 31 March 2004

		Before exceptional items 2004 £'000	2004 Exceptional items (note 4) 2004 £'000	Total 2004 £'000	Before exceptional items 2003 £'000	2003 Exceptional items (note 4) 2003 £'000	Total 2003 £'000
	Note						
Turnover - continuing operations	2	22,547	-	22,547	19,202	-	19,202
Net interest payable	7,8	(5,561)	-	(5,561)	(5,225)	-	(5,225)
Other operating expenses		(16,368)	219	(16,149)	(15,594)	(3,768)	(19,362)
Operating profit/(loss) - continuing operations	3	618	219	837	(1,617)	(3,768)	(5,385)
Tax on profit/(loss) on ordinary activities	9	(277)	-	(277)	1,878	-	1,878
Profit/(loss) for the financial year		341	219	560	261	(3,768)	(3,507)
Dividends paid	10	-	-	-	(3,250)	-	(3,250)
Retained profit/(loss) for the financial year	17	341	219	560	(2,989)	(3,768)	(6,757)

The company had no recognised gains or losses in the financial period or the preceding financial period other than those dealt with in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historic cost equivalents. Accordingly, no note of historical cost profits and losses has been prepared. All reported losses arise from continuing operations.

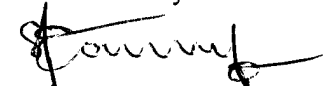
The notes on pages 8 to 16 form part of these financial statements.

Open and Direct Retail Services Limited

Balance sheet At 31 March 2004

	Note	2004		2003	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		1,219		899
Investments	12		50		-
			<hr/>		<hr/>
			1,269		899
Current assets					
Debtors	13	129,952		103,817	
Cash at bank and in hand		678		7,795	
		<hr/>		<hr/>	
		130,630		111,612	
Creditors: amounts falling due within one year	15	(120,265)		(101,437)	
		<hr/>		<hr/>	
Net current assets/(liabilities)					
Due within one year		(65,529)		(32,245)	
Debts due after more than one year	13	75,894		42,420	
		<hr/>		<hr/>	
			10,365		10,175
			<hr/>		<hr/>
Net assets			11,634		11,074
			<hr/>		<hr/>
Capital and reserves					
Called-up share capital	16	15,000		15,000	
Profit and loss account	17	(3,366)		(3,926)	
		<hr/>		<hr/>	
Equity shareholders' funds	17	11,634		11,074	
		<hr/>		<hr/>	

These financial statements were approved by the board of directors on 10 January 2005 and were signed on its behalf by:



Samuel Downey
Director



Geoffrey Farmer
Director

The notes on pages 8 to 16 form part of these financial statements.

Open and Direct Retail Services Limited

Notes

(forming part of the financial statements)

1 Principal 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.

Basis of preparation

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

Cash flow statement

The ultimate parent undertaking of Open and Direct Retail Services Limited at 31 March 2004 was Open and Direct Group Limited. As Open and Direct Group Limited prepared consolidated financial statements, which included the cash flows of the company, Open and Direct Retail Services Limited is exempt from the requirement to prepare a cash flow statement.

Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost or valuation less depreciation or provisions for any permanent diminution in value. Depreciation is calculated so as to write off the original cost less the estimated residual value of the tangible fixed assets over their useful lives at the following annual rates:

Short leasehold property	-	10 years
Fixtures and fittings	-	over 5 to 10 years
Computer equipment	-	3 to 5 years

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Open and Direct Retail Services Limited

Notes (*continued*)

1 Principal accounting policies (*continued*)

Pensions

On 30 April 2002 the company was acquired by Open and Direct Group Limited. All employees remained members of the Viridian Group Pension Scheme to 30 April 2003. The scheme comprised of two separate sections – ‘Focus’ a defined benefit scheme and ‘Options’ a defined contribution scheme.

On 1 May 2003 Open and Direct Group Limited established a new defined benefit and defined contribution scheme to replace the Viridian schemes. All employees were transferred to the new schemes. In respect of the new defined benefit scheme assets have not yet been transferred from the Viridian Group Pension Scheme to cover the future requirements of these employees.

The assets of the schemes are held separately from those of the company. Pension costs in respect of the defined contributions scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

The company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme on a consistent and reasonable basis and therefore, as required by FRS 17 ‘Retirement benefits’ accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Recognition of interest income on credit agreements

The directors revised their estimate in relation to the recognition of subsidy income receivable and commission payable associated with credit agreements during the year. Subsidy income receivable and commission payable have been allocated on a straight line basis over the expected life of the credit agreement in the current year. In the prior year such income and commission payable was recognised in full at the inception of the agreement. The impact of the change in estimate was to decrease income from subsidies received in the current year by £1,523,000, and to decrease commissions payable by £2,078,000. This resulted in a net increase in the profit for the financial year of £555,000.

Interest income receivable on credit finance agreements has been allocated to accounting periods using the sum of the digits (“rule of 78”) method. The total value of the loan balances outstanding net of the provision for doubtful debts and interest income relating to future periods is included within the “Credit Agreement Instalments not yet due” figure disclosed in Note 13, analysed between amounts due to be repaid within one year and after more than one year.

Financing the loan book

A substantial proportion of the company’s loan book has been sold to Clandeboye Limited and Premium First Limited, both wholly owned subsidiaries of Open and Direct Retail Services Limited, with the loan book being financed by a warehouse facility. In accordance with FRS 5: “Reporting the substance of transactions” all relevant income and associated costs incurred in Clandeboye Limited and Premium First Limited, and all assets and liabilities of these companies have been included within the Open and Direct Retail Services Limited financial statements.

2 Turnover

Turnover, which is stated net of value added tax, represents invoiced amounts, and is attributable to one continuing activity, being the provision of unsecured credit finance.

All turnover is in respect of sales within the United Kingdom and Republic of Ireland.

Open and Direct Retail Services Limited

Notes (continued)

3 Operating profit

Operating profit is stated after charging:

	2004 £'000	2003 £'000
Depreciation of owned fixed assets	356	313
Auditors' remuneration : audit	28	32
: other services	18	4
	<u> </u>	<u> </u>

4 Exceptional items

During the year net exceptional income of £219,000 was earned. The exceptional item can be analysed as follows:

	<i>Other operating expenses £'000</i>
Exceptional bad debt charge on insolvency of retailer	(485)
Income generated on the unwind of interest rate swap	704
	<u> </u>
	219
	<u> </u>

5 Directors emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	446	389
	<u> </u>	<u> </u>
	2004 No	2003 No
Members of defined benefit pension scheme	1	2
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £160,595 (2003: 159,183).

Open and Direct Retail Services Limited

Notes (*continued*)

6 Staff costs

	2004 £'000	2003 £'000
Wages and salaries	2,981	2,596
Social security costs	289	209
Pension costs	112	-
	<u>3,382</u>	<u>2,805</u>

The monthly average number of employees during the year was 112 (2003: 99).

7 Interest receivable

	2004 £'000	2003 £'000
Bank interest	-	110
Other	-	38
	<u>-</u>	<u>148</u>

8 Interest payable

	2004 £'000	2003 £'000
Bank loans and overdrafts	5,561	5,088
Debt factoring charges	-	63
Interest due on intercompany loans	-	222
	<u>5,561</u>	<u>5,373</u>

9 Tax on loss on ordinary activities

	2004 £'000	2003 £'000
a) Analysis of (credit)/charge in the year		
Current tax on losses for the year	16	(91)
Adjustments in respect of previous years	14	332
	<u>30</u>	<u>241</u>
Deferred tax		
Origination/reversal of timing differences	285	(1,490)
Adjustment in respect of previous periods	(38)	(629)
	<u>277</u>	<u>(1,878)</u>
Tax charge/(credit) on loss on ordinary activities		

Open and Direct Retail Services Limited

Notes (*continued*)

9 Tax on loss on ordinary activities (*continued*)

b) Factors affecting the current tax charge for the period

The current tax charge of £30,000 (2003: £241,000) is lower (2003: higher) than the standard rate of corporation tax in the UK of 30% (2003: 30%). The differences are explained below.

	2004 £'000	2003 £'000
Profit/(loss) on ordinary activities before tax	837	(5,385)
Profit/(loss) on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	251	(1,615)
Effects of:		
Expenses not allowed for tax purposes	50	34
Adjustments to tax charge in respect of previous periods	14	332
Capital allowances for the period in excess of depreciation	(34)	92
Other timing differences	(33)	116
Tax losses carried forward	(218)	1,282
Current tax charge for the year	30	241

c) Factors that may affect future tax charges

There are no factors likely to materially affect future tax charges of which the directors are aware.

10 Dividends

	2004 £'000	2003 £'000
Equity dividend on ordinary shares	-	(3,250)

The equity dividend was paid prior to the sale of the company by Viridian Group PLC to a Management Buyout team backed by Alchemy Partners.

Open and Direct Retail Services Limited

Notes (*continued*)

11 Tangible fixed assets

	<i>Computer equipment £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
<i>Cost</i>			
At 1 April 2003	1,659	334	1,993
Additions	669	7	676
	<hr/>	<hr/>	<hr/>
At 31 March 2004	2,328	341	2,669
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2003	760	334	1,094
Charge for the year	356	-	356
	<hr/>	<hr/>	<hr/>
At 31 March 2004	1,116	334	1,450
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2004	1,212	7	1,219
	<hr/>	<hr/>	<hr/>
At 1 April 2003	899	-	899
	<hr/>	<hr/>	<hr/>

12 Investments

	2004 £'000	2003 £'000
Opening cost	-	-
Additions	50	-
	<hr/>	<hr/>
Closing cost	50	-
	<hr/>	<hr/>

The investments in which the company's interest is more than 10% are as follows:

Subsidiary undertaking	Country of registration or incorporation	Principal Activity	Class and percentage of shares held
Clandeboyne Limited	England	Financing special purpose vehicle	Ordinary share 100%
Premium First Limited	England	Financing special purpose vehicle	Ordinary share 100%
Consumer Collection Limited	Northern Ireland	Dormant	Ordinary share 100%

Open and Direct Retail Services Limited

Notes (*continued*)

13 Debtors

	2004 £'000	2003 £'000
Amounts falling due within one year:		
Credit agreement instalments not yet due	48,409	57,824
Amounts owed by fellow Open and Direct Group Limited undertakings	582	186
Other debtors	256	673
Prepayments and accrued income	860	506
Corporation tax recoverable	-	89
Deferred tax (note 14)	1,872	2,119
Prepaid commission payable	2,079	-
	<hr/>	<hr/>
	54,058	61,397
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Credit agreement instalments not yet due	75,894	42,420
	<hr/>	<hr/>
Net debtors	129,952	103,817
	<hr/>	<hr/>

The credit agreement instalments due above are legally the property of Clandeboyne Limited and Premium First Limited. Under FRS 5: 'Reporting the substance of transactions', these amounts are documented within the company's financial statements as the associated risks and rewards reside with Open and Direct Retail Services Limited.

Included within credit agreement instalments not yet due is an amount of £75,894,000 (2003: £42,420,000) which is considered to be receivable more than one year after the balance sheet date.

14 Deferred tax

	2004 £'000	2003 £'000
<i>Elements of deferred taxation</i>		
Difference between accumulated depreciation and amortisation and capital allowances	79	107
Other timing differences	770	730
Tax losses	1,023	1,282
	<hr/>	<hr/>
Deferred tax asset	1,872	2,119
	<hr/>	<hr/>
	2004 £'000	2003 £'000
<i>Deferred tax asset</i>		
At 1 April	2,119	-
Deferred tax (credit)/charge	(247)	2,119
	<hr/>	<hr/>
At 31 March	1,872	2,119
	<hr/>	<hr/>

Open and Direct Retail Services Limited

Notes (continued)

15 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Bank loans and overdrafts	1,620	-
Warehouse facility	97,734	85,847
Trade creditors	7,528	3,338
Amounts owed to fellow Open and Direct Group Limited undertakings	10,102	7,976
Other taxes and social security costs	87	59
Accruals	1,501	4,217
Deferred subsidy receivable	1,523	-
Other creditors	170	-
	<u>120,265</u>	<u>101,437</u>

The warehouse facility is legally assigned to Clandeboye Limited and Premium First Limited but has been incorporated in these financial statements to correspond with the treatment of credit agreements as disclosed in note 13 above. Security in place encompasses a fixed charge over all loan agreements held by the borrower, a fixed charge over the shares of the borrower and guarantees from all Open and Direct lending group companies.

16 Called up share capital

	2004 £'000	2003 £'000
<i>Authorised:</i>		
20,000,000 ordinary shares of £1 each	20,000	20,000
<i>Allotted and fully paid:</i>		
15,000,000 ordinary shares of £1 each	15,000	15,000

17 Reconciliation of movement on equity shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At beginning of year	15,000	(3,926)	11,074
Profit for the financial year	-	560	560
At 31 March 2004	<u>15,000</u>	<u>(3,366)</u>	<u>11,634</u>

Open and Direct Retail Services Limited

Notes (*continued*)

18 Pension commitments

On 30 April 2002 the company was acquired by Open and Direct Group Limited. All employees remained members of the Viridian Group Pension Scheme to 30 April 2003. The scheme comprised of two separate sections – ‘Focus’ a defined benefit scheme and ‘Options’ a defined contribution scheme.

On 1 May 2003 Open and Direct Group Limited established a new defined benefit and defined contribution scheme to replace the Viridian schemes. All employees were transferred to the new schemes. Assets are yet to be transferred from the Viridian Group Pension Scheme to cover the future requirements of these employees as determined by the Scheme Actuary.

The assets of both the defined benefit and defined contribution schemes are held separately from those of the company.

The company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme on a consistent and reasonable basis and therefore, as required by FRS 17 ‘Retirement benefits’ accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The pension charge for the year amounted to £112,002 (2003: £Nil). At 31 March 2004 unpaid contributions amounted to £9,567 (2003: £Nil).

19 Financial commitments

The company has provided an unlimited guarantee and debenture in respect of bank loans held by fellow Open and Direct group companies.

On 30 April 2002, a debenture was created by the company for securing all monies due, or to become due, to Viridian Group PLC, under the terms of the £8 million Loan Notes issued by Open and Direct Holdings on 30 April 2003.

20 Related parties

The Company has taken advantage of the exemption within FRS 8 ‘Related Party Disclosures’ from disclosing transactions with its ultimate parent undertaking, Open and Direct Group Limited, and its group companies.

21 Ultimate parent undertaking and controlling party

The entire issued share capital of this company is indirectly owned by Open and Direct Group Limited, a company incorporated in Great Britain and registered in England and Wales. The Group accounts of Open and Direct Group Limited can be obtained from 10 Norwich Street, London. 83.4% of the issued share capital of Open and Direct Group Limited is held by Alchemy Partners Nominees Limited on behalf of investors by the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited and is deemed to be the ultimate controlling party.

The immediate parent undertaking and controlling party is Open and Direct Holdings Limited, which is registered in Great Britain.