



Chartered Accountants



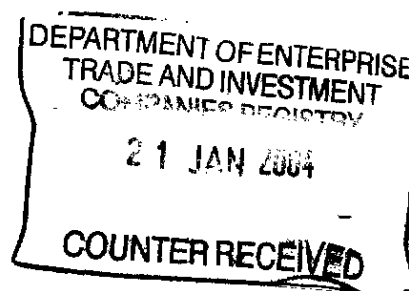
3 House
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Open and Direct Retail Services Limited

Financial statements

Year ended 31 March 2003

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

Solicitors

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GS

Registered office

Arnott House
12-16 Bridge Street
Belfast
BT1 1LU

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 2003.

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.

On 30 April 2002, the company was acquired by Open and Direct Group Limited, a management buy-out vehicle backed by Alchemy Partners.

Results and dividends

The underlying trading performance of the company improved significantly during the year. Turnover for the year at £19.2m was 67% 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 company made a post tax profit of £261,000 (2002: loss of £519,000) before exceptional items. Exceptional costs of £3,768,000 in respect of one off asset write downs related to the management buy out and costs associated with procuring a financing facility were incurred in the year.

The loss for the year, after exceptional items, taxation and dividends amounted to £6,757,000 (2002: loss of £519,000). Prior to the sale of the company by Viridian Group PLC, on 30 April 2002 the company paid a dividend of £3,250,000.

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

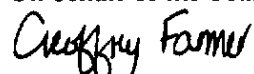
Open and Direct Retail Services Limited

Directors' report (*continued*)

Auditors

During the year, Ernst & Young LLP resigned as auditors and KPMG were appointed in their place. 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

A handwritten signature in black ink, appearing to read 'Geoffrey Farmer'.

Geoffrey Farmer
Secretary

8th January

2004

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

24 Jan 2004



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 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 3, 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

KPMG
Chartered Accountants
Registered Auditors

2004



Open and Direct Retail Services Limited

Profit and loss account

Year ended 31 March 2003

		Before exceptional items 2003 £'000	Exceptional items (note 4) 2003 £'000	Total 2003 £'000	Before exceptional items 2002 £'000	Exceptional items (note 4) 2002 £'000	Total 2002 £'000
	Note						
Turnover - continuing operations	2	19,202	-	19,202	11,503	-	11,503
Net interest payable	7,8	(5,225)	-	(5,225)	(2,987)	-	(2,987)
Other operating expenses		(15,594)	(3,768)	(19,362)	(9,662)	-	(9,662)
Operating loss – continuing operations	3	(1,617)	(3,768)	(5,385)	(1,146)	-	(1,146)
Tax on loss on ordinary activities	9	1,878	-	1,878	627	-	627
Profit/(loss) on ordinary activities after taxation		261	(3,768)	(3,507)	(519)	-	(519)
Dividends paid	10	(3,250)	-	(3,250)	-	-	-
Retained loss for the financial year	16	(2,989)	(3,768)	(6,757)	(519)	-	(519)

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 2003

	Note	2003		2002	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	11		899		996
Current assets					
Stocks		-		40	
Debtors	12	103,817		100,102	
Less – non refundable amounts received	12	-		(18,575)	
Cash at bank and in hand		7,795		650	
		<u>111,612</u>		<u>82,217</u>	
Creditors: amounts falling due within one year	14	<u>(101,437)</u>		<u>(65,382)</u>	
Net current assets/(liabilities)					
Due within one year		(32,245)		(16,178)	
Debts due after more than one year	12	<u>42,420</u>		<u>33,013</u>	
			<u>10,175</u>		<u>16,835</u>
Net assets			<u><u>11,074</u></u>		<u><u>17,831</u></u>
Capital and reserves					
Called-up share capital	15		15,000		15,000
Profit and loss account	16		(3,926)		2,831
Equity shareholders' funds	16		<u><u>11,074</u></u>		<u><u>17,831</u></u>

These financial statements were approved by the board of directors on its behalf by:


Samuel Downey
Director


Geoffrey Farmer
Director

2004 and were signed on

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 company is exempt from the requirement of Financial Reporting Standard No.1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking and its cashflows are included within the consolidated cashflow statement of that company.

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:

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.

The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the 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. 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.

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 and sufficient assets and liabilities will be transferred from the Viridian Group Pension Scheme to cover the future requirements of these employees as determined by the Scheme Actuary.

Recognition of interest income on credit agreements

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 11, analysed between amounts due to be repaid within one year and after more than one year.

Financing loan book

During the year a substantial proportion of the company’s loan book was sold to Clandeboye Limited, a company subsequently acquired by Open and Direct Retail Services Limited on 22 April 2003, 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 all assets and liabilities of the company 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 loss

Operating loss is stated after charging:

	2003 £'000	2002 £'000
Depreciation of owned fixed assets	313	404
Auditors' remuneration : audit	32	20
: other services	4	-
	<u>349</u>	<u>424</u>

4 Exceptional items

During the year exceptional costs of £3,768,000 were incurred as follows:

	<i>Other operating expenses</i> £'000
Write off of:	
Marketing materials	40
Exceptional bad debts	556
Loan book refinancing costs	3,172
	<u>3,768</u>

5 Directors emoluments

	2003 £'000	2002 £'000
Aggregate emoluments	389	87
	<u>389</u>	<u>87</u>
	2003 No	2002 No
Members of defined benefit pension scheme	2	2
	<u>2</u>	<u>2</u>

The emoluments of the highest paid director were £159,183. As at 31 March 2003 he was a member of a defined benefit scheme, under which his maximum accrued pension at the year end was £21,488 (2002: £19,612) per annum with an option to commute a portion of the accrued pension to receive part or all of a maximum lump sum of £48,349 (2002: £38,503).

Open and Direct Retail Services Limited

Notes (continued)

6 Staff costs

	2003 £'000	2002 £'000
Wages and salaries	2,596	1,139
Social security costs	209	102
	<u>2,805</u>	<u>1,242</u>

The monthly average number of employees during the year was 99 (2002: 60).

7 Interest receivable

	2003 £'000	2002 £'000
Bank interest	110	-
Other	38	-
	<u>148</u>	<u>-</u>

8 Interest payable

	2003 £'000	2002 £'000
Bank loans and overdrafts	5,088	4
Debt factoring charges	63	1,015
Interest due on intercompany loans	222	1,968
	<u>5,373</u>	<u>2,987</u>

9 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
a) Analysis of (credit)/charge in the year		
Current tax on losses for the year	(91)	(377)
Adjustments in respect of previous years	332	(250)
	<u>241</u>	<u>(627)</u>
Deferred tax charge	-	-
Origination/reversal of timing differences	(1,490)	-
Adjustment in respect of previous periods	(629)	-
	<u>(1,878)</u>	<u>(627)</u>

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 credit of £107,000 (2001: £627,000) is lower (2002: higher) than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below.

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(5,385)	(1,146)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax of 30%	(1,615)	(343)
Effects of:		
Expenses not allowed for tax purposes	34	-
Adjustments to tax charge in respect of previous periods	332	(250)
Fixed assets written off	-	38
Capital allowances for the period in excess of depreciation	92	16
Other timing differences	116	(88)
Tax losses carried forward	1,282	-
	<hr/>	<hr/>
Current tax credit/(charge) for the year	241	(627)
	<hr/>	<hr/>

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

	2003 £'000	2002 £'000
Equity dividend on ordinary shares	(3,250)	-
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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 2002	1,443	334	1,777
Additions	216	-	216
	<hr/>	<hr/>	<hr/>
At 31 March 2003	1,659	334	1,993
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 April 2002	447	334	781
Charge for the year	313	-	313
	<hr/>	<hr/>	<hr/>
At 31 March 2003	760	334	1,094
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2003	899	-	899
	<hr/>	<hr/>	<hr/>
At 1 April 2002	996	-	996
	<hr/>	<hr/>	<hr/>

12 Debtors

	<i>2003 £'000</i>	<i>2002 £'000</i>
Amounts falling due within one year:		
Credit agreement instalments not yet due	57,824	66,027
Amounts owed by fellow Open and Direct Group Limited undertakings	186	-
Other debtors	506	419
Prepayments and accrued income	673	643
Corporation tax recoverable	89	-
Deferred tax (note 12)	2,119	-
	<hr/>	<hr/>
	61,397	67,089
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Credit agreement instalments not yet due (note i)	42,420	33,013
	<hr/>	<hr/>
	103,817	100,102
Less: non refundable amounts received (note ii)		
Due within one year	-	(18,575)
Due after more than one year	-	-
	<hr/>	<hr/>
	-	(18,575)
	<hr/>	<hr/>
Net debtors	103,817	81,527
	<hr/>	<hr/>

Open and Direct Retail Services Limited

Notes (continued)

12 Debtors (continued)

- (i) Included within credit agreement instalments not yet due is an amount of £42,420,000 (2002: £33,013,000) which is considered to be receivable more than one year after the balance sheet date.
- (ii) Non refundable amounts received as at 31 March 2002 represented cash received under discount arrangements with respect to loans to customers which, under the written terms of the discount arrangements were not repayable under any circumstances, nor was it the intention of the company to ever repay it.

13 Deferred tax

	2003 £'000	2002 £'000
<i>Elements of deferred taxation</i>		
Difference between accumulated depreciation and amortisation and capital allowances	107	-
Other timing differences	730	-
Tax losses	1,282	-
	<hr/>	<hr/>
Deferred tax asset	2,119	-
	<hr/>	<hr/>

14 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Warehouse facility	85,847	-
Trade creditors	3,338	11,002
Amounts owed to fellow Open and Direct Group Limited undertakings	7,976	53,816
Other taxes and social security costs	59	32
Accruals	4,217	532
	<hr/>	<hr/>
	101,437	65,382
	<hr/>	<hr/>

The warehouse facility is legally assigned to Clandeboyne Limited. 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.

Open and Direct Retail Services Limited

Notes (continued)

15 Called up share capital

	2003 £'000	2002 £'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

16 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	2,831	17,831
Loss for the year	-	(3,507)	(3,507)
Dividends paid	-	(3,250)	(3,250)
At 31 March 2003	15,000	(3,926)	11,074

17 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. The Viridian Group PLC pays contributions to the Scheme at the rate recommended by the Scheme actuaries, Hewitt, Bacon & Woodrow, based on regular actuarial reviews of its financial position. The assets of the Scheme are held under trust and invested by the trustees on the advice of professional investment managers.

The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the 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. 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.

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 and sufficient assets and liabilities will be transferred from the Viridian Group Pension Scheme to cover the future requirements of these employees as determined by the Scheme Actuary. During the year no contributions were payable by Open and Direct Retail Services Limited and there are no outstanding amounts at 31 March 2003 (2002: £Nil).

Open and Direct Retail Services Limited

Notes (*continued*)

18 Financial commitments

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.

19 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.

20 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.