

Haydock *Finance*



**Haydock Finance Limited
Annual Report and Accounts**

**For the year ended
28 February 2003**

Registered no. 1526882

Haydock Finance Limited

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Haydock Finance Limited

Company Information

Directors

Non Executive

J E Black

Executive

J H Wilkinson *Executive Chairman*
D R S Lamond
S L Worrall

Secretary and registered office

D R S Lamond
Challenge House
Challenge Way
Greenbank Business Park
Blackburn BB1 5QB

Auditors

Garbutt & Elliott Limited
Monkgate House
44 Monkgate
York YO31 7HF

Bankers

Bank of Scotland
The Mound
Edinburgh EH1 1YZ

National Westminster Bank plc
P O Box 546, First Floor
100 Barbirolli Square
Lower Moseley Street
Manchester M60 2FT

Haydock Finance Limited**Directors' Report
for the Year Ended 28 February 2003**

The Directors submit their report and group accounts of Haydock Finance Limited for the year ended 28 February 2003.

Principal Activity and Review of the Business

The group's principal business during the year was the provision of financial services for consumers and business users.

During the year the group withdrew from the business of car retailing, operated through its subsidiary company HF (No 1) Limited (formerly Ignition Vehicle Sales Limited), culminating with the sale as a going concern of its remaining car supermarket business, based in Accrington, in January 2003. Further details of this sale are provided in note 22 to the accounts. At the end of July 2002, the group also withdrew from the vehicle contract hire market by no longer writing new vehicle contracts within its subsidiary company, Ignition Vehicle Management Limited. Revenues from vehicle contracts existing at that time are included in the results for the group's continuing operations.

Neither of these two ventures were commercially successful, and the directors decided it was in the best interests of shareholders to strategically withdraw from these markets and to focus the group's activities on its instalment credit and finance leasing products.

Results and Dividend

The group made a profit before goodwill amortisation and tax from its continuing operations of £1.77 million (2002:£0.44 million). After goodwill amortisation of £0.12 million (2002:£0.12 million), the group made a profit before tax from the group's continuing operations of £1.65 million. The group made a loss before tax from the discontinued car retailing operation of £1.4 million (2002:£0.36 million)

After a tax charge of £0.18 million (2002: £0.17 million) and preference dividends paid of £0.80 million (2002: £0.50 million), there is a retained deficit for the year of £0.77 million (2002:£0.71 million) which has been taken to reserves. The directors do not recommend payment of a final dividend.

The profit before tax of £0.20 million compares with a loss of £0.04 million recorded for the year to 28 February 2002.

Donations

The group made charitable donations during the year amounting to £375 (2002: £1,000).

Suppliers

The group recognises the importance of maintaining good business relationships with its suppliers and is committed to paying all invoices in accordance with agreed terms.

Market value of land and buildings

The directors are of the opinion that the current market value of interests in land and buildings is not less than the amount included in the accounts.

Haydock Finance Limited**Directors' Report
for the Year Ended 28 February 2003 (continued)****Share Capital and Directors' Interests**

The directors who served during the year were:

J E Black
J H Wilkinson
D R S Lamond

T R Entwistle (resigned 2 July 2002)
H M Grossart (resigned 9 September 2002)
T C McCaughie (resigned 21 June 2002)
R M Pepper (resigned 16 July 2002)

On 3 March 2003, S L Worrall was appointed as director.

Set out below are details of the interests at the year end of the directors in the issued share capital of the Company and in options to subscribe for ordinary shares:

	Issued Ordinary Shares of £1 each		Options to subscribe for Ordinary Shares of £1 each	
	At 28 February 2003	At 1 March 2002	At 28 February 2003	At 1 March 2002
J H Wilkinson	925,000	850,000	-	-
J E Black	35,000	35,000	-	-
D R S Lamond	10,000	10,000	100,000	40,000

All of the options to subscribe for ordinary shares have been granted under the rules of the Haydock Finance Limited Unapproved Share Option Scheme, further details of which are provided in note 16 to the accounts.

No director had any interest in the issued preference share capital of the Company at 1 March 2002 or at 28 February 2003.

Auditors

The Group will seek approval at the Annual General Meeting for the re-appointment of Garbutt & Elliott Limited as Auditors.

By order of the Board



D R S Lamond
Secretary
30 May 2003

Haydock Finance Limited**Statement of Directors' Responsibilities in respect of the accounts**

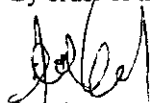
The Directors are required by the Companies Act 1985 to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the year and of the profit or loss for the year.

The Directors consider that in preparing the financial statements on pages 9 to 27 the Group has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors are satisfied that it is appropriate for these accounts to have been prepared on a going concern basis.

The Directors acknowledge their responsibility for the systems of internal control, the effectiveness of which they regularly review. These controls are designed to provide reasonable assurance on the accuracy and reliability of the information systems and on the maintenance of proper control over the assets and liabilities of the Group. They are based on the principles of tiered levels of authority for credit approvals and for capital and revenue expenditure.

By order of the Board



D R S Lamond

Secretary

30 May 2003

Haydock Finance Limited**Independent Auditors' Report to the Shareholders of Haydock Finance Limited**

We have audited the financial statements of Haydock Finance Limited on pages 9 to 27 for the year ended 28 February 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 6 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 group'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.

Haydock Finance Limited

Independent Auditors' Report to the Shareholders of Haydock Finance Limited (continued)

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 28 February 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Garbutt & Elliott Limited

Garbutt & Elliott Limited

Chartered Accountants
Registered Auditors
30 May 2003

Monkgate House
44 Monkgate
York
YO31 7HF

Haydock Finance Limited

**Group Profit and Loss Account
for the year ended 28 February 2003**

	Notes	2003 £'000	2002 £'000
Revenue	2		
Continuing operations		16,821	15,244
Discontinued operation		18,359	24,738
		<u>35,180</u>	<u>39,982</u>
Profit / (loss) on ordinary activities before taxation	2, 3		
Continuing operations		1,645	321
Discontinued operation		(1,441)	(359)
		<u>204</u>	<u>(38)</u>
Taxation on profit / (loss) on ordinary activities	5	<u>(175)</u>	<u>(170)</u>
Profit / (loss) on ordinary activities after taxation		29	(208)
Dividends	6	<u>(800)</u>	<u>(500)</u>
Retained deficit for the year	7, 17	<u>(771)</u>	<u>(708)</u>

There are no recognised gains or losses other than those shown in the profit and loss account.

The notes on pages 15 to 27 form part of these accounts.

Haydock Finance Limited

**Group Balance Sheet
as at 28 February 2003**

	Notes	2003 £'000	£'000	2002 £'000	£'000
Fixed assets					
Intangible assets	8	531		896	
Tangible assets	9	<u>6,621</u>		<u>5,598</u>	
			7,152		6,494
Current assets					
Finance lease and instalment credit receivables					
<i>Amounts falling due:</i>					
Within one year	11	47,455		42,733	
After more than one year	11	71,007		66,806	
Stock	12	-		5,855	
Debtors	11	4,276		4,334	
Cash at bank and in hand		<u>776</u>		<u>4</u>	
		123,514		119,732	
Creditors : Amounts falling due within one year	13	<u>(5,114)</u>		<u>(6,404)</u>	
Net current assets			<u>118,400</u>		<u>113,328</u>
Total assets less current liabilities			125,552		119,822
Creditors : Amounts falling due after more than one year	14		(106,251)		(99,750)
Provisions for liabilities and charges					
Deferred taxation	15		<u>-</u>		<u>-</u>
			19,301		20,072
Capital and reserves					
Called up share capital	16		18,112		18,112
Share premium account	17		200		200
Other reserve	17		128		128
Profit and loss account	17		<u>861</u>		<u>1,632</u>
Shareholders' funds	18		<u>19,301</u>		<u>20,072</u>
Equity interests			3,301		4,072
Non-equity interests			<u>16,000</u>		<u>16,000</u>
			19,301		20,072

The notes on pages 15 to 27 form part of these accounts.

The financial statements on pages 9 to 27 were approved by the Board of Directors on 30 May 2003 and signed on its behalf by:


J H Wilkinson
Executive Chairman

Haydock Finance Limited

Company Balance Sheet
as at 28 February 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	8	294	365
Tangible assets	9	3,532	1,241
Investments	10	224	1,556
		4,050	3,162
Current assets			
Finance lease and instalment credit receivables			
<i>Amounts falling due:</i>			
Within one year	11	47,455	42,733
After more than one year	11	71,007	66,806
Debtors	11	7,774	13,368
Cash at bank and in hand		772	-
		127,008	122,907
Creditors : Amounts falling due within one year	13	(5,319)	(5,654)
Net current assets		121,689	117,253
Total assets less current liabilities		125,739	120,415
Creditors : Amounts falling due after more than one year	14	(106,251)	(99,750)
Provisions for liabilities and charges			
Deferred taxation	15	-	-
		19,488	20,665
Capital and reserves			
Called up share capital	16	18,112	18,112
Share premium account	17	200	200
Profit and loss account	17	1,176	2,353
Shareholders' funds	18	19,488	20,665
Equity interests		3,488	4,665
Non-equity interests		16,000	16,000
		19,488	20,665

The notes on pages 15 to 27 form part of these accounts.

The financial statements on pages 9 to 27 were approved by the Board of Directors on 30 May 2003 and signed on its behalf by:


J H Wilkinson
Executive Chairman

Haydock Finance Limited

**Group Cash Flow Statement
for the year ended 28 February 2003**

	2003 £'000	2002 £'000
Net cash inflow / (outflow) from operating activities	5,759	(13,718)
Returns on investments and servicing of finance		
Dividends paid on preference shares	(800)	(500)
Interest paid	(4,781)	(4,892)
Net cash outflow from returns on investments and servicing of finance	<u>(5,581)</u>	<u>(5,392)</u>
Taxation	(750)	(982)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(3,443)	(2,375)
Receipts from sale of tangible fixed assets	392	367
Net cash outflow from investing activities	<u>(3,051)</u>	<u>(2,008)</u>
Acquisitions and disposals		
Disposal	1,013	-
Acquisitions	-	(5,561)
Net overdraft acquired with subsidiary	-	(747)
Net cash inflow / (outflow) from acquisitions and disposals	<u>1,013</u>	<u>(6,308)</u>
Equity dividends paid	<u>-</u>	<u>-</u>
Net cash outflow before financing	(2,610)	(28,408)
Financing		
Cash inflow from increase in debt financing	4,250	28,767
Net cash inflow from financing	<u>4,250</u>	<u>28,767</u>
Increase in cash in the year	<u>1,640</u>	<u>359</u>

Haydock Finance Limited

**Notes to the Cash Flow Statement
for the year ended 28 February 2003**

1. Reconciliation of operating profit (loss) to net cash inflow / (outflow) from operating activities

	2003 £'000	2002 £'000
Operating profit (loss)	204	(38)
Net interest payable	5,645	5,259
Depreciation of tangible assets	1,775	753
Goodwill amortisation	315	169
Loss (profit) on disposal of tangible assets	15	(6)
Decrease (increase) in stock	4,842	(2,108)
Decrease (increase) in debtors	339	(872)
Increase in creditors due within one year	1,309	2,533
Increase in general and specific bad debt provisions	398	1,240
Capital advanced on instalment credit & finance leases agreements	(78,649)	(80,847)
Capital reduction on instalment credit & finance leases agreements	69,566	60,199
Net cash inflow (outflow) from operating activities	<u>5,759</u>	<u>(13,718)</u>

2. Analysis of net funds (debt)

	1 March 2002 £'000	Cash flow £'000	28 February 2003 £'000
Net cash:			
Cash at bank and in hand	4	772	776
Bank overdraft	(890)	868	(22)
	<u>(886)</u>	<u>1,640</u>	<u>754</u>
Debt:			
Debts falling due within one year	-	-	-
Debts falling due after one year	(99,750)	(4,250)	(104,000)
	<u>(99,750)</u>	<u>(4,250)</u>	<u>(104,000)</u>
Net debt	<u>(100,636)</u>	<u>(2,610)</u>	<u>(103,246)</u>

3. Reconciliation of net cash flow to movement in net debt

	2003 £'000	2002 £'000
Increase in cash in the year	1,640	359
Cash inflow from increase in debt	(4,250)	(28,767)
Movement in net debt in the year	<u>(2,610)</u>	<u>(28,408)</u>
Opening net debt	(100,636)	(72,228)
Closing net debt	<u>(103,246)</u>	<u>(100,636)</u>

Haydock Finance Limited

Notes to the Cash Flow Statement (continued)
for the year ended 28 February 2003

4. Disposal in current year

	Business Disposal £'000
Net assets disposed of	
Tangible fixed assets	154
Stock	1,013
	<u>1,167</u>
Satisfied by	
Cash	1,013
Finance lease	154
	<u>1,167</u>

This disposal relates to the sale of the groups remaining car supermarket business on 31 January 2003 to Ignition Car Supermarkets Limited

Further details of this disposal are provided in note 22 to the accounts.

Acquisitions in previous year

	Subsidiary Acquired £'000	Business Acquired £'000	Total £'000
Net assets acquired			
Intangible fixed assets	51	-	51
Tangible fixed assets	409	2,306	2,715
Stock	1,724	2,023	3,747
Debtors	147	-	147
Creditors	(497)	-	(497)
Bank overdraft	(747)	-	(747)
	<u>1,087</u>	<u>4,329</u>	<u>5,416</u>
Goodwill	245	-	245
	<u>1,332</u>	<u>4,329</u>	<u>5,661</u>
Satisfied by			
Cash	1,219	4,329	5,548
Deferred consideration	100	-	100
Acquisition expenses	13	-	13
	<u>1,332</u>	<u>4,329</u>	<u>5,661</u>

Haydock Finance Limited**Notes to the accounts
for the year ended 28 February 2003****1. Accounting Policies****1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and include the results of the group's operations as indicated in the directors' report. The financial statements are prepared in accordance with applicable Accounting Standards.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its trading subsidiary undertakings.

As provided by section 230 of the Companies Act 1985 the company has not presented a separate profit and loss account.

1.3 Subsidiary undertakings and goodwill

Subsidiary undertakings are accounted for using the acquisition method of accounting from the effective date of acquisition and until the effective date of disposal.

Goodwill on acquisition, being the excess of the fair value of the purchase consideration over the fair value of the net assets acquired, is capitalised and charged to the profit and loss account on a systematic basis over its estimated useful economic life.

Negative goodwill, being the excess of the fair value of net assets acquired over the fair value of the purchase consideration is similarly capitalised and credited to the profit and loss account over its estimated useful economic life.

Purchased goodwill, other than goodwill arising on consolidation, is capitalised and written off to the profit and loss account over its estimated useful economic life of 7 years.

1.4 Income recognition***Finance leases and instalment credit agreements***

Income from assets leased to customers and from instalment credit agreements is determined by spreading interest and charges over the period of repayment in proportion to the net cash investment. Amounts due from customers under finance leases and instalment credit agreements are included in debtors.

Operating lease assets

Operating lease rental income is recognised on a straight line basis over the term of the related hire agreement.

Other income

Motor vehicle sales, fees and commission income are recognised on an accruals basis and are stated after trade discounts and net of VAT.

Haydock Finance Limited**Notes to the accounts
for the year ended 28 February 2003 (continued)****1. Accounting Policies (continued)****1.5 Tangible fixed assets and depreciation*****Assets held for own use***

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold and long leasehold land	Nil
Freehold and long leasehold property	2% Straight line
Fixtures, fittings and equipment	25% Straight line
Motor vehicles	25% Straight line
Computer equipment	33% Straight line

Operating lease assets

Operating lease assets are stated at cost less depreciation, account being taken of the estimated residual values on the motor vehicles which are the subject of the related operating lease agreements with customers. Depreciation is charged to the profit and loss account over the term of the operating lease period, which typically ranges from 2 to 5 years, using the annuity method.

1.6 Bad and doubtful debts

Specific provisions are made for finance lease and instalment credit receivables which are recognised to be bad or doubtful. A general provision to cover finance lease and instalment credit receivables, which are latently bad or doubtful but not yet identified as such, is also maintained. Provisions made during the year are charged to the profit and loss account, net of recoveries.

Finance lease and instalment credit receivables are stated in the balance sheet after deduction for specific and general provisions.

1.7 Vehicle Stock

Vehicle stocks for resale are included in the balance sheet at the lower of cost or net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase price including handling costs and trade discounts. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

1.8 Deferred Taxation

Deferred tax, using the incremental liability method, is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

1.9 Pension Contributions

The company does not operate a pension scheme but makes payments directly into individual personal pension plans. The pension costs charged in the financial statements represent the contributions payable during the year.

1.10 Deferred Commissions

Time-apportionable commission that is paid to third-party introductory sources is allocated to accounting periods by spreading the cost in proportion to the net cash investment of the related finance lease or instalment credit agreement.

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

2. Revenue and Operating Profit (Loss)

	2003			2002		
	Continuing operations £'000	Discontinued operation £'000	Total £'000	Continuing operations £'000	Discontinued operation £'000	Total £'000
Revenue						
Interest income	15,967	-	15,967	13,182	-	13,182
Sales of motor vehicles	854	18,359	19,213	2,062	24,738	26,800
	<u>16,821</u>	<u>18,359</u>	<u>35,180</u>	<u>15,244</u>	<u>24,738</u>	<u>39,982</u>
Cost of sales	(2,142)	(17,881)	(20,023)	(2,104)	(23,147)	(25,251)
Other operating income	2,323	173	2,496	1,998	159	2,157
Administrative expenses	(9,871)	(1,933)	(11,804)	(9,706)	(1,962)	(11,668)
Interest payable	(5,486)	(159)	(5,645)	(5,111)	(147)	(5,258)
Operating profit	<u>1,645</u>	<u>(1,441)</u>	<u>204</u>	<u>321</u>	<u>(359)</u>	<u>(38)</u>

3. Profit (Loss) on ordinary activities before taxation

Profit (loss) on ordinary activities before taxation is stated:

After charging:

	2003 £'000	2002 £'000
Commission charges	1,949	2,167
Depreciation of tangible assets	1,775	753
Goodwill amortisation	315	169
Loss on disposal of tangible fixed assets	15	-
Auditors' remuneration	35	30
Remuneration of auditors for non-audit work	13	19

And after crediting:

Instalment credit repayments	68,039	62,716
Finance lease rentals	15,607	10,325
Operating lease rentals	1,204	117
Profit on disposal of tangible fixed assets	<u>-</u>	<u>6</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

4. Net Interest Payable

	2003 £'000	2002 £'000
Interest payable to Bank of Scotland	4,910	4,669
Other interest	735	590
	<u>5,645</u>	<u>5,259</u>

5. Tax on profit (loss) on ordinary activities

	2003 £'000	2002 £'000
Current year taxation		
Corporation tax at 30%	462	645
Deferred taxation	<u>(284)</u>	<u>(518)</u>
	178	127
Prior years		
Corporation tax	(6)	13
Deferred taxation	<u>3</u>	<u>30</u>
	175	170

The actual charge for taxation is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003 £'000	2002 £'000
Profit (loss) on ordinary activities before tax	<u>204</u>	<u>(38)</u>
Profit (loss) on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30% (2002: 30%)	61	(11)
Expenses not deductible for tax purposes	96	127
Depreciation in excess of capital allowances	168	332
Deferred commissions	(69)	25
General bad debt provision	206	170
Adjustment in respect of prior periods	(6)	13
Capital gain	-	6
Utilisation by subsidiary undertaking of its brought forward losses	-	(4)
Corporation tax charge for the year	<u>456</u>	<u>658</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

6. Dividends

	2003 £'000	2002 £'000
Fixed rate preference dividends paid	800	500

7. Retained deficit for the year

	2003 £'000	2002 £'000
Dealt with in the accounts of the parent company	(1,177)	14
Retained by subsidiary undertakings	406	(722)
	<u>(771)</u>	<u>(708)</u>

8. Intangible fixed assets

	Group £'000	Company £'000
Purchased goodwill		
Cost		
At 1 March 2002	1,158	499
Adjustment for deferred consideration no longer payable	(50)	-
At 28 February 2003	<u>1,108</u>	<u>499</u>
Amortisation		
At 1 March 2002	262	134
Charge for the year	315	71
At 28 February 2003	<u>577</u>	<u>205</u>
Net Book Value		
At 28 February 2003	<u>531</u>	<u>294</u>
At 28 February 2002	<u>896</u>	<u>365</u>

The goodwill arising on the investments in certain subsidiary undertakings has been written off over periods representing the directors' estimate in each case of the useful economic life of the goodwill. These estimates range from between 7 and 10 years.

Goodwill arising on the acquisition in 2001 of HF (No 1) Limited (formerly Ignition Vehicle Sales Limited) of £245,000 has been reduced by £50,000 and relates to deferred consideration which ceased to be payable during the year. As that subsidiary undertaking is now dormant following the discontinuance of its operation, the adjusted un-amortised balance of goodwill as at 1 March 2002 of £150,000 has been charged to the profit and loss account in the year and is included in the aggregate charge of £315,000. Also included in the charge for the year is an amount of £46,000 relating to the un-amortised balance at 1 March 2002 of the intangible fixed asset already owned by this subsidiary undertaking when the group acquired it.

Purchased goodwill in the company relates to goodwill acquired from P&P, an undertaking acquired in the year to 28 February 2001.

Haydock Finance Limited
**Notes to the accounts
for the year ended 28 February 2003 (continued)**
9. Tangible assets
Group

	Long Leasehold Property £'000	Freehold Property £'000	Fixtures, Fittings and Computers £'000	Motor Vehicles £'000	Operating Lease Assets £'000	Total £'000
Cost						
At 1 March 2002	1,018	2,186	2,409	326	1,421	7,360
Additions	-	-	474	69	2,900	3,443
Appropriated to receivables	-	-	(256)	(67)	-	(323)
Disposals	-	-	(810)	(185)	(430)	(1,425)
At 28 February 2003	<u>1,018</u>	<u>2,186</u>	<u>1,817</u>	<u>143</u>	<u>3,891</u>	<u>9,055</u>
Depreciation						
At 1 March 2002	54	4	1,517	116	71	1,762
Charge for the year	16	8	711	64	976	1,775
Released on appropriation	-	-	(63)	(22)	-	(85)
Disposals	-	-	(762)	(108)	(148)	(1,018)
At 28 February 2003	<u>70</u>	<u>12</u>	<u>1,403</u>	<u>50</u>	<u>899</u>	<u>2,434</u>
Net book values						
At 28 February 2003	<u>948</u>	<u>2,174</u>	<u>414</u>	<u>93</u>	<u>2,992</u>	<u>6,621</u>
At 28 February 2002	<u>964</u>	<u>2,182</u>	<u>892</u>	<u>210</u>	<u>1,350</u>	<u>5,598</u>

Company

	Long Leasehold Property £'000	Freehold Property £'000	Fixtures, Fittings and computers £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 March 2002	639	-	1,912	222	2,773
Additions	-	-	213	37	250
Transferred from subsidiary undertakings	378	2,155	336	90	2,959
Appropriated to receivables	-	-	(256)	(67)	(321)
Disposals	-	-	(597)	(148)	(747)
At 28 February 2003	<u>1,017</u>	<u>2,155</u>	<u>1,608</u>	<u>134</u>	<u>4,914</u>
Depreciation					
At 1 March 2002	48	-	1,394	90	1,532
Charge for the year	13	1	419	40	473
Arising on transfer from subsidiary undertakings	9	11	63	22	105
Released on appropriation	-	-	(63)	(22)	(85)
Disposals	-	-	(553)	(90)	(643)
At 28 February 2003	<u>70</u>	<u>12</u>	<u>1,260</u>	<u>40</u>	<u>1,382</u>
Net book values					
At 28 February 2003	<u>947</u>	<u>2,143</u>	<u>348</u>	<u>94</u>	<u>3,532</u>
At 28 February 2002	<u>591</u>	<u>-</u>	<u>518</u>	<u>132</u>	<u>1,241</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

10. Fixed Asset Investments

	Company £'000
Shares in group undertakings	
Cost	
At 1 March 2002	1,556
Amount written off	(1,282)
Adjustment for deferred consideration no longer payable	(50)
At 28 February 2003	224

The amount written off is in respect of HF (No 1) Limited.

The Company holds more than 20% of the share capital of the following companies:

<u>Subsidiary undertakings</u>	<u>Nature of business</u>	<u>Class</u>	<u>% of shares held</u>
Ignition Vehicle Management Limited	Vehicle contract hire	Ordinary	100
HF (No 1) Limited (formerly Ignition Vehicle Sales Limited)	Dormant	Ordinary	100
Junction 4 (Blackburn) Limited	Dormant	Ordinary Preference	100 100
Europa Vehicle Management Limited	Dormant	Ordinary	100
HF (No 2) Limited (formerly Ignition Group Limited)	Dormant	Ordinary	100
Haydock Asset Finance Limited *	Dormant	Ordinary	100
H F Direct Limited *	Dormant	Ordinary	100
Driving Options Limited *	Dormant	Ordinary	100

* Subsidiary undertaking of HF (No 2) Limited

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

11. Finance lease and instalment credit receivables and debtors

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
<i>Finance lease and instalment credit receivables</i>				
Finance leases	38,851	24,543	38,851	24,543
Less: unearned interest	(6,965)	(4,511)	(6,965)	(4,511)
	<u>31,886</u>	<u>20,032</u>	<u>31,886</u>	<u>20,032</u>
Instalment credit receivables	97,956	103,527	97,956	103,527
Less: unearned interest	(16,014)	(17,650)	(16,014)	(17,650)
	<u>81,942</u>	<u>85,877</u>	<u>81,942</u>	<u>85,877</u>
Loans	4,634	3,630	4,634	3,630
Total trade debtors	<u>118,462</u>	<u>109,539</u>	<u>118,462</u>	<u>109,539</u>
Amounts falling due within one year	47,455	42,733	47,455	42,733
Amounts falling due after more than one year	71,007	66,806	71,007	66,806
	<u>118,462</u>	<u>109,539</u>	<u>118,462</u>	<u>109,539</u>

The cost of assets acquired during the year for the purposes of instalment credit and finance lease agreements was £89.2m (2002: £98.6m).

Debtors

Other debtors and prepayments	1,245	1,647	643	565
Amounts due from subsidiary undertakings	-	-	3,952	10,067
Deferred commissions	2,001	1,938	2,171	1,938
Deferred tax (note 15)	1,030	749	1,008	798
	<u>4,276</u>	<u>4,334</u>	<u>7,774</u>	<u>13,368</u>

In respect of the group, debtors include deferred commissions of £1.23m (2002: £1.14m) which fall due after more than one year.

In respect of the company, debtors include deferred commissions of £1.33m (2002: £1.14m) which fall due after more than one year. Amounts due to the company from subsidiary undertakings of £3.44m are recoverable after more than one year (2002: £10.07m).

Haydock Finance Limited
**Notes to the accounts
for the year ended 28 February 2003 (continued)**
12. Stock

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Motor vehicle stock	-	5,855	-	-

13. Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Bank loans and overdraft	22	890	-	1,018
Trade creditors	482	1,473	465	655
Amounts owed to subsidiary undertakings	-	-	-	100
Corporation tax	276	571	970	790
Other taxation and social security	100	247	62	117
Accruals and deferred income	4,234	3,223	3,822	2,974
	<u>5,114</u>	<u>6,404</u>	<u>5,319</u>	<u>5,654</u>

14. Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Amount due to Bank of Scotland	104,000	99,750	104,000	99,750
Deferred income	2,251	-	2,251	-
	<u>106,251</u>	<u>99,750</u>	<u>106,251</u>	<u>99,750</u>

The amount due to Bank of Scotland is a revolving credit facility due for renewal on 28 February 2006. Interest is payable at various rates agreed at the time of draw-down of portions of the debt.

The group has entered into interest rate swaps which fix the rates of interest between 5.70% and 6.43% on borrowings of up to £42m (2002: £42m). These agreements mature at varying times between 2004 and 2006.

The company and its trading subsidiary undertakings are parties to a cross-company guarantee in respect of borrowings from Bank of Scotland.

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

15. Deferred Taxation

	Group £'000	Company £'000
At 1 March 2002	(749)	(798)
Credited in the year to profit and loss account	(284)	(213)
Undercharge for prior years	3	3
At 28 February 2003	<u>(1,030)</u>	<u>(1,008)</u>

Deferred tax is provided in full in respect of the following timing differences:

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Short term timing differences	(30)	97	(28)	97
Excess depreciation over capital allowances on:				
Own assets	(176)	(66)	(156)	(115)
Leased assets	<u>(824)</u>	<u>(780)</u>	<u>(824)</u>	<u>(780)</u>
	<u>(1,030)</u>	<u>(749)</u>	<u>(1,008)</u>	<u>(798)</u>

The deferred tax asset is shown in Debtors (note 11) and is mainly attributable to excess depreciation over capital allowances on leased assets, and is recoverable when the related finance lease terminates and the asset that is the subject of the lease has been sold.

16. Share Capital

	2003 £'000	2002 £'000
Authorised		
4,500,000 Ordinary shares of £1 each	4,500	4,500
6,000,000 'A' Preference shares of £1 each	6,000	6,000
10,000,000 'C' Preference shares of £1 each	10,000	10,000
2,000,000 Deferred shares of £1 each	<u>2,000</u>	<u>2,000</u>
	<u>22,500</u>	<u>22,500</u>
 Allotted, called up and fully paid		
2,112,000 Ordinary shares of £1 each	2,112	2,112
6,000,000 'A' Preference shares of £1 each	6,000	6,000
10,000,000 'C' Preference shares of £1 each	10,000	10,000
2,000,000 Deferred shares of £1 each	<u>-</u>	<u>-</u>
	<u>18,112</u>	<u>18,112</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

16. Share Capital (continued)

Details of the non-equity share capital in issue at the year end are as follows:

'A' Preference shares

'A' Preference shares carry a 5% per annum cumulative dividend. From 1 March 2006 until 28 February 2007 they carry a 7.5% per annum cumulative dividend and thereafter a 10% per annum cumulative dividend. On a winding up, they are repayable at par and rank behind the 'C' Preference shares but ahead of the other classes of shares.

'C' Preference Shares

'C' Preference Shares carry no voting rights, are redeemable at par on 28 February 2006, or earlier under certain circumstances, and carry a 5% per annum cumulative dividend. On a winding up they are repayable at par and rank ahead of the other classes of shares.

Deferred shares

Deferred shares carry no voting or dividend rights. On a winding up the deferred shares are repayable at £0.000001 per share once the other classes of shares have been repaid at par together with any premium.

Share Options

Under the terms of the Haydock Finance Limited Unapproved Share Option Scheme, the Directors have powers to grant options over ordinary shares of £1 each, exercisable at prices determined by the Directors at the time of the grant. The maximum number of options that may be granted under the scheme is 17.75% of the issued ordinary share capital at any time. At 28 February 2003, there were in issue 160,000 options to subscribe for ordinary shares. The aggregate exercise price of these options is £230,000. Under the scheme, options are normally exercisable before the expiry of 10 years from the date of grant.

17. Statement of movements on reserves

	Share Premium Account £'000	Other Reserve £'000	Profit & Loss Account £'000
<i>Group</i>			
At 1 March 2002	200	128	1,632
Deficit retained for year	-	-	(771)
At 28 February 2003	<u>200</u>	<u>128</u>	<u>861</u>
<i>Company</i>			
At 1 March 2002	200	-	2,353
Deficit retained for year	-	-	(1,177)
At 28 February 2003	<u>200</u>	<u>-</u>	<u>1,176</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

18. Reconciliation of movement in shareholders' funds

	Group £'000	Company £'000
Deficit retained for the financial year	(771)	(1,177)
Opening shareholders' funds at 1 March 2002	20,072	20,665
Closing shareholders' funds at 28 February 2003	<u>19,301</u>	<u>19,488</u>

19. Directors

	2003 £'000	2002 £'000
Fees	30	51
Emoluments for qualifying services	305	412
Company contributions paid to defined contribution schemes	49	69
Compensation for loss of office	155	90
	<u>539</u>	<u>622</u>

The number of directors for whom retirement benefits were accruing under defined contribution schemes amounted to 5 (2002 - 5)

The amounts in respect of the highest paid director are as follows:

	£'000	£'000
Emoluments for qualifying services	121	105
Company contributions paid to defined contribution scheme	22	20

20. Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Sales	65	39
Administration	74	102
	<u>139</u>	<u>141</u>

Staff costs include the following:

	2003 £'000	2002 £'000
Wages and salaries	3,580	3,474
Social security costs	361	374
Other pension costs	122	168
	<u>4,063</u>	<u>4,016</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2003 (continued)**

21. Pension costs

The group does not have an occupational pension scheme. However, the majority of employees maintain individual pension policies to which the group makes contributions under a deed of trust. The contributions made on behalf of employees during the year totalled £122,000 (2002: £168,000). There were no unpaid contributions at the year-end (2002: £nil).

22. Related Party Transactions

Bank of Scotland

The Bank of Scotland owns 47% of the equity shares in the company, and is the provider of the group's main debt funding, having made available a revolving credit facility of £125 million. Amounts drawn under this facility are due for repayment by 28 February 2006. At the year-end, the amount due to Bank of Scotland was £104m (2002: £99.75m) and is included within creditors due after more than one year. Interest charged by Bank of Scotland in the year was £4.91m (2002: £4.67m) of which £1.79m (2002: £0.98m) was included within accruals and deferred income at the year-end.

Ignition Car Supermarkets Limited ("ICS")

On 31 January 2003, the group disposed of its remaining car supermarket business as a going concern to Ignition Car Supermarkets Limited ("ICS"), a company in which J H Wilkinson is a director and shareholder. This disposal required and obtained the prior approval of shareholders. The disposal consisted of the transfer of motor vehicle stock for a consideration of £1,013,000, and the transfer for a consideration of £154,000, of certain fixed assets which became the subject of a finance lease between the group and ICS. Also transferred was the goodwill for a nominal consideration, and the employment contracts of staff. At 28 February 2003, ICS owed the group £14,000 in respect of the transfer of motor vehicle stock and £151,000 in respect of the finance lease.

VBG Holdings Limited ("VBG")

J H Wilkinson is also a director and shareholder of VBG Holdings Limited ("VBG"). During the year, the group purchased from VBG motor vehicles and related services amounting to £105,000 (including VAT), and in separate transactions sold to it motor vehicles amounting to £100,000 (including VAT). There were no amounts due to or from VBG at the year-end in respect of these transactions. The group also provided VBG with a loan on commercial terms to facilitate it purchasing motor vehicle stock for its trade. The amount of the loan was £743,000, of which £400,000 was still outstanding at the year-end.

Hilton Leisure Limited ("Hilton")

J H Wilkinson and his family interests own 99.9% of the issued share capital of Hilton. During the year, the group advanced £nil (2002: £40,000) to Hilton by way of instalment credit agreements. At the year-end, £32,000 (including deferred charges) (2002: £78,000) was outstanding on those agreements. These agreements were written on the group's normal commercial terms.

23. Operating lease commitments

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Operating leases in respect of land and buildings:				
Lease expiring within 2 to 5 years	-	23	-	2
Lease expiring after 5 years	11	-	11	-
Other operating leases	1	-	1	-