

**Haydock Finance Limited**

**Annual report and accounts  
for the year ended  
31 December 2006**

**Registered no. 1526882**

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## **Haydock Finance Limited**

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## **Haydock Finance Limited**

### **Company Information**

<b>Directors</b>	J H Wilkinson	<i>Executive Chairman</i>
	D R S Lamond	<i>Chief Executive Officer</i>
	J W Blanchflower	<i>Sales Director</i>
	J E Black	<i>Non Executive</i>
<b>Secretary</b>	D R S Lamond	
<b>Registered office</b>	Challenge House Challenge Way Greenbank Business Park Blackburn BB1 5QB	
<b>Auditors</b>	Garbutt & Elliott Limited Arabesque House Monks Cross Drive Huntington York YO32 9GW	
<b>Bankers</b>	Bank of Scotland Corporate Banking, 4th Floor New Ueberior House 11 Earl Grey Street Edinburgh EH3 9BN	
	National Westminster Bank plc Corporate Banking, Manchester 6th Floor 1 Spinningfields Square Manchester M3 3AP	
<b>Parent undertaking</b>	Haydock Finance Holdings Limited Challenge House Challenge Way Blackburn BB1 5QB	

## **Haydock Finance Limited**

### **Directors' report for the year ended 31 December 2006**

The directors submit their report and group accounts of Haydock Finance Limited for the year ended 31 December 2006.

#### **Principal activity and review of the business**

The group's principal business during the period was the provision of financial services for consumers and business users to assist in their acquisition of motor vehicles and equipment for use in their businesses. The financial results reflect the good progress made during the period and the directors aim to continue implementing policies so that this will continue.

The year was particularly characterised with the cessation in April 2006 of the group's 25 year involvement in providing and arranging point of sale motor finance for private customers. In the face of intense competition over a number of years, the directors had concluded that this form of lending had become uneconomic. To counter this, a sales division was established to provide asset finance directly into the engineering and manufacturing sectors to compliment the group's already well established medium ticket and Scottish commercial vehicle divisions. Furthermore, in the autumn of 2006 a new property finance division was set up. In early 2007, continuing the withdrawal from regulated lending, the group transferred its small ticket equipment finance division from Newton Abbot to the group's main office in Blackburn.

For 2006, the group has reported an operating profit before exceptional items and tax of £3.40 million, up nearly 28.0% when compared to the ten month financial period to 31 December 2005. The group also disposed of two properties which had been acquired in 2001 as part of its venture at the time into car supermarkets. These disposals, which are treated as exceptional items in the profit and loss account, took place in the first half of the year, and realised an accounting profit of £1.55 million. This profit is free of corporation tax after indexation allowances and the utilisation of capital losses of £1.0 million.

Thus, the group has reported a profit on ordinary activities before tax of £4.96 million, up from £2.67 million for the corresponding financial period. After a tax charge of £1.26 million, the retained profit for the year of £3.69 million has been taken to reserves. An interim dividend of £1.29 million was paid in the year to the holder of the ordinary shares. No final dividend is being recommended by the directors.

The group's net finance receivables, after both general and specific bad debt provisions, stood at £109.41 million compared to £113.64 million at the end of the previous financial period. These levels were in line with expectations.

Net assets at 31 December 2006 amounted to £9.19 million (31 December 2005: £6.21 million) and this includes a revaluation reserve of £0.57 million following the adoption by the directors of a revaluation policy for the group's sole remaining property at Challenge House, Blackburn.

#### **Key Performance Indicators**

The key performance indicators with which the directors regularly monitor the progress of the group are:-

- New lending;
- Net margin after money costs;
- Cost/income ratio;
- Bad debt write-offs;
- Average return on receivables.

Due to commercial sensitivity, and recognising the group's privately owned status, the directors are of the opinion that it is not appropriate to disclose further details on all of these indicators.

The directors consider the levels of new business lending were satisfactory given the change towards higher margin transactions with business customers. The average return on receivables, excluding property disposal

## **Haydock Finance Limited**

### **Directors' report for the year ended 31 December 2006 (continued)**

gains, has improved in 2006 compared to the corresponding financial period, and this is attributable to both better margins as well as operating from a lower cost base, which is evidenced from a reduced average headcount from 81 full time equivalents to 59 over the corresponding financial periods.

Whilst these are the main performance indicators, the directors regularly monitor a range of other measures in order to assess the group's financial and non-financial performance.

#### **Principal Risks & Uncertainties**

*The principal risks and uncertainties faced by the group are inextricably linked to the key performance indicators. The group's lending is, in the main, to the UK SME market place, which itself is affected by a host of economic factors. However, the directors are of the opinion that the asset finance market place is of such a size that the group's market share is negligible in macro economic terms, thus major opportunities exist to expand its market share by continually improving its delivery mechanisms to business introducers.*

The group has a policy of hedging its variable interest rate exposures through the use of interest rate swaps and similar derivatives. With over 90% of the group's new lending being at fixed rates over typical terms of up to 4 years, the aim is to lock in lending margin as the new business is written. At the year end, 86% of the group's borrowings were effectively on fixed rates through the use of interest rate derivatives.

The group operates tiered levels of underwriting authority, all mandated by the Board of Directors, in respect of all new lending. The controls that are in place further require director approval for individual customer exposures above certain monetary levels set regularly by the Board. Customer and portfolio exposures are also regularly reviewed by the directors.

The average net return on receivables is reviewed to ensure that the group has made an adequate return on its capital employed thus ensuring that the interests of all stakeholders are taken account of by the policies implemented by the Board. Furthermore, detailed monthly management accounts are prepared and reviewed to monitor actual financial performance against the budget, which is set annually by the Board.

#### **Further Outlook**

The directors believe that the changes brought about to the nature of the group's lending activities over the last two years have served all stakeholders well and will continue to do so over the foreseeable future.

#### **Market value of land and buildings**

The directors were of the opinion that the market value of interests in land and buildings at 31 December 2006 was not less than the amount included in the accounts.

#### **Donations**

The group made charitable donations during the period amounting to £797 (2005: £376).

#### **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.

**Haydock Finance Limited**

**Directors' report for the year ended 31 December 2006 (continued)**

**Share capital and directors' interests**

The directors who served during the period were:

J H Wilkinson  
D R S Lamond  
J W Blanchflower  
J E Black

As each of them are also directors of Haydock Finance Holdings Limited, the company's parent company, their interests are not required to be recorded in this company's register of directors' interests.

**Auditors**

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985. Therefore, the auditors, Garbutt & Elliott Limited, will be deemed to be reappointed for each succeeding financial year.

**Statement of disclosure to the auditors**

So far as the directors are aware:

- (a) there is no relevant audit information of which the company's auditors are unaware; and
- (b) They have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



D R S Lamond C.A.  
Secretary  
14 March 2007

## **Haydock Finance Limited**

### ***Statement of directors' responsibilities***

The directors are responsible for preparing the financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period 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 8 to 29 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.

The directors must, in determining how amounts are presented within items in the profit and loss account and balance sheet have regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles or practice.

By order of the board



D R S Lamond C.A.

Secretary

14 March 2007

## **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 8 to 29 for the year ended 31 December 2006. These financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold property and the accounting policies set out therein.

This report is made solely to the company's member 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 member 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 member 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 5 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice of the group's and company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the information given in the directors' report is consistent with the financial statements; and
- the financial statements have been prepared in accordance with the Companies Act 1985.



**Garbutt & Elliott Limited**  
Chartered Accountants  
Registered Auditors

Arabesque House  
Monks Cross Drive  
Huntington  
York  
YO32 9GW

14 March 2007

# Haydock Finance Limited

## Group profit and loss account for the year ended 31 December 2006

		12 months ended December 2006	10 months ended December 2005
	Notes	£'000	£'000
<b>Revenue</b>			
Continuing operations	2	<u>15,817</u>	<u>13,690</u>
<b>Profit on ordinary activities before taxation</b>			
Continuing operations	2, 3	3,403	2,665
Profit on disposal of fixed assets	2	1,553	-
		<u>4,956</u>	<u>2,665</u>
Taxation on profit on ordinary activities	5	(1,262)	(1,018)
<b>Profit on ordinary activities after taxation and retained for the period</b>	6,15	<u>3,694</u>	<u>1,647</u>

The group's revenue and expenses all relate to continuing operations for both the current and prior year.

## Group Statement of Total Recognised Gains and Losses

	12 months ended December 2006	10 months ended December 2005
	£'000	£'000
Profit for the period	3,694	1,647
Surplus on revaluation	570	-
<b>Total recognised gains and losses for the period</b>	<u>4,264</u>	<u>1,647</u>

The notes on pages 14 to 29 form part of these accounts.

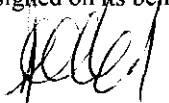
# Haydock Finance Limited

## Group balance sheet as at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Tangible assets	8	1,800	3,447
<b>Current assets</b>			
Finance receivables			
Amounts falling due:			
Within one year	10	49,695	49,185
After more than one year	10	59,713	64,457
Debtors	10	5,236	6,405
Cash at bank and in hand		1	2
		<u>114,645</u>	<u>120,049</u>
<b>Creditors: Amounts falling due within one year</b>	11	<u>(4,516)</u>	<u>(6,771)</u>
<b>Net current assets</b>		<u>110,129</u>	<u>113,278</u>
<b>Total assets less current liabilities</b>		<u>111,929</u>	<u>116,725</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(102,742)</u>	<u>(110,516)</u>
		<u>9,187</u>	<u>6,209</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	13	-	-
<b>Net Assets</b>		<u>9,187</u>	<u>6,209</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,112	2,112
Share premium account	15	200	200
Capital redemption reserve	15	1,000	1,000
Other reserves	15	570	128
Profit and loss account	15	<u>5,305</u>	<u>2,769</u>
<b>Equity Shareholder's funds</b>	16	<u>9,187</u>	<u>6,209</u>

The notes on pages 14 to 29 form part of these accounts.

The financial statements on pages 8 to 29 were approved by the board of directors on 14 March 2007 and signed on its behalf by:

  
D R S Lamond C.A.  
Director

# Haydock Finance Limited

## Company balance sheet as at 31 December 2006

	Notes	2006 £'000	2006 £'000	2005 £'000	2005 £'000
<b>Fixed assets</b>					
Tangible assets	8		1,800		3,345
Investments	9		-		18
			<u>1,800</u>		<u>3,363</u>
<b>Current assets</b>					
Finance receivables					
<i>Amounts falling due:</i>					
Within one year	10	49,695		49,185	
After more than one year	10	59,713		64,457	
Debtors	10	5,219		6,245	
Cash at bank and in hand		1		-	
		<u>114,628</u>		<u>119,887</u>	
<b>Creditors: Amounts falling due within one year</b>	11	<u>(4,516)</u>		<u>(6,749)</u>	
<b>Net current assets</b>			<u>110,112</u>		<u>113,138</u>
<b>Total assets less current liabilities</b>			<u>111,912</u>		<u>116,501</u>
<b>Creditors: Amounts falling due after more than one year</b>	12	<u>(102,742)</u>		<u>(110,516)</u>	
		9,170		5,985	
<b>Provisions for liabilities and charges</b>					
Deferred taxation	13	-		-	
<b>Net Assets</b>			<u>9,170</u>		<u>5,985</u>
<b>Capital and reserves</b>					
Called up share capital	14		2,112		2,112
Share premium account	15		200		200
Capital redemption reserve	15		1,000		1,000
Revaluation reserve	15		570		-
Profit and loss account	15		<u>5,288</u>		<u>2,673</u>
<b>Equity Shareholders' funds</b>	16		<u>9,170</u>		<u>5,985</u>

The notes on pages 14 to 29 form part of these accounts.

The financial statements on pages 8 to 29 were approved by the board of directors on 14 March 2007 and signed on its behalf by:



D R S Lamond C.A.  
Director

**Haydock Finance Limited**

**Group cash flow statement for the year ended 31 December 2006**

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
<b>Net cash inflow from operating activities</b>	<b>13,229</b>	<b>9,665</b>
<b>Returns on investments and servicing of finance</b>		
Dividends paid on preference shares	(753)	(375)
Interest paid	(5,029)	(5,323)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(5,782)</b>	<b>(5,698)</b>
<b>Taxation</b>	<b>(1,066)</b>	<b>(1,639)</b>
<b>Net cash outflow from taxation</b>	<b>(1,066)</b>	<b>(1,639)</b>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(51)	(900)
Receipts from sale of tangible fixed assets	122	-
Net receipts from disposal of properties	3,478	416
<b>Net cash inflow / (outflow) from investing activities</b>	<b>3,549</b>	<b>(484)</b>
<b>Acquisitions and disposals</b>		
Purchase of business	-	(19)
<b>Net cash flow from acquisitions and disposals</b>	<b>-</b>	<b>(19)</b>
<b>Equity dividends paid</b>	<b>(1,286)</b>	<b>-</b>
<b>Net cash inflow before financing</b>	<b>8,644</b>	<b>1,825</b>
<b>Financing</b>		
Cash outflow from decrease in debt financing	(8,035)	(3,557)
<b>Net cash outflow from financing</b>	<b>(8,035)</b>	<b>(3,557)</b>
<b>Increase / (decrease) in cash in the period</b>	<b>609</b>	<b>(1,732)</b>

# Haydock Finance Limited

## Notes to the cash flow statement for the year ended 31 December 2006

### 1. Reconciliation of operating profit to net cash inflow from operating activities

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
Operating profit	3,403	2,665
Net interest payable	5,633	5,628
Depreciation of tangible assets	228	220
Goodwill amortisation	-	19
(Profit) / loss on disposal of tangible assets	(7)	6
Decrease / (increase) in debtors	585	(831)
Decrease in creditors	(847)	(485)
Decrease in finance receivables	4,234	2,443
Net cash inflow from operating activities	<u>13,229</u>	<u>9,665</u>

### 2. Analysis of net funds / (debt)

	As at 1 January 2006 £'000	Cash flow £'000	As at 31 December 2006 £'000
<b>Net cash:</b>			
Cash at bank and in hand	2	(1)	1
Bank overdraft	<u>(953)</u>	<u>610</u>	<u>(343)</u>
	<u>(951)</u>	<u>609</u>	<u>(342)</u>
<b>Debt:</b>			
Debts falling due after one year			
Bank of Scotland	(92,493)	8,035	(84,458)
Preference share capital	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
	<u>(107,493)</u>	<u>8,035</u>	<u>(99,458)</u>
Net debt	<u>(108,444)</u>	<u>8,644</u>	<u>(99,800)</u>

**Haydock Finance Limited**

**Notes to the cash flow statement for the year ended 31 December 2006 (continued)**

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

	2006 £'000	2005 £'000
Increase / (decrease) in cash in the period	609	(1,732)
Cash outflow from decrease in debt	<u>8,035</u>	<u>3,557</u>
Movement in net debt in the period	8,644	1,825
Opening net debt	<u>(108,444)</u>	<u>(110,269)</u>
Closing net debt	<u>(99,800)</u>	<u>(108,444)</u>

## **Haydock Finance Limited**

### **Notes to the accounts for the year ended 31 December 2006 (continued)**

#### **1. Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of property, 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, which have been consistently applied, except as otherwise stated.

##### **1.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its 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.

##### **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.

###### ***Loans and similar advances***

Interest earnings from loans and similar advances made to customers are recognised on an accruals basis.

###### ***Other income***

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

###### ***Operating lease assets***

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



## Haydock Finance Limited

### Notes to the accounts for the year ended 31 December 2006 (continued)

#### 1 Accounting policies (continued)

##### 1.5 Tangible fixed assets and depreciation

###### *Assets held for own use*

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

Freehold and long leasehold property	2% Straight line
Fixtures, fittings and equipment	25% Straight line
Motor vehicles	25% Straight line
Computer equipment	Between 14% and 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, instalment credit receivables and loans which are recognised to be bad or doubtful. A general provision to cover finance lease, instalment credit receivables and loans, which are latently bad or doubtful but not yet identified as such, is also maintained. Provisions made during the period are charged to the profit and loss account, net of recoveries.

Finance lease, instalment credit and loan receivables are all stated in the balance sheet as finance receivables, after deduction for specific and general provisions.

##### 1.7 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.

##### 1.8 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 period.

## Haydock Finance Limited

### Notes to the accounts for the year ended 31 December 2006 (continued)

#### 1. Accounting policies (continued)

##### 1.9 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 receivable.*

#### 2. Revenue, operating profit and profit before taxation

	12 months ended 31 December 2006 Total £'000	10 months ended 31 December 2005 Total £'000
<b>Continuing Operations</b>		
Revenue	15,817	13,690
Cost of sales	(13)	(116)
Other operating income	1,266	1,749
Administrative expenses	(8,034)	(7,030)
Interest payable (note 4)	(5,633)	(5,628)
<b>Operating profit from continuing operations</b>	<b>3,403</b>	<b>2,665</b>
Profit on disposal of fixed assets	1,553	-
<b>Profit on ordinary activities before taxation</b>	<b>4,956</b>	<b>2,665</b>

The profit on disposal of fixed assets of £1.55 million (2005: £nil) relates to the disposal of the group's investment and freehold properties under separate transactions. Aggregate sales proceeds of £4.40 million were reduced by the aggregate of costs of disposal, including fees for professional advice, of £0.93 million. The capital gain arising, after indexation allowance, was offset by capital losses of £1.0 million, leaving a nil gain for corporation tax purposes.

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 3. Profit on ordinary activities before taxation

Operating profit is stated:

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
<i>After charging:</i>		
Commission charges	2,266	1,972
Depreciation of tangible fixed assets	228	220
Goodwill amortisation	-	19
Auditors' remuneration	22	20
Remuneration of auditors for non-audit work	2	9
Loss on disposal of tangible fixed assets	-	6

*And after crediting:*

Instalment credit repayments	39,367	44,221
Finance lease rentals	36,726	24,814
Loan repayments	12,436	7,244
Operating lease rentals	26	118
Property rental income	27	89
Profit on disposal of tangible fixed assets	7	-

### 4. Net interest payable

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
Interest payable to Bank of Scotland	4,963	4,849
Other interest	(83)	153
Fixed rate preference dividends	753	626
	<u>5,633</u>	<u>5,628</u>

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 5. Tax on profit on ordinary activities

#### (a) Analysis of Charge for the period

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
<b>Current period taxation</b>		
Corporation tax at 30%	298	1,294
Deferred taxation	965	(237)
	<u>1,263</u>	<u>1,057</u>
<b>Adjustment to prior years</b>		
Corporation tax	(6)	(28)
Deferred taxation	5	(11)
	<u>1,262</u>	<u>1,018</u>

#### (b) Factors affecting tax charge for the period

The actual charge for taxation varies from the standard rate of corporation tax in the U.K. (30%). The differences are explained below:

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
Profit on ordinary activities before tax	<u>4,956</u>	<u>2,665</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30% (2005: 30%)	1,487	799
Indexation allowances and capital losses	(361)	-
Excess of properties base cost over net book value on disposal	(97)	-
Expenses not deductible for tax purposes	264	170
Depreciation in excess of capital allowances	(1,009)	395
Deferred commissions	29	(120)
General bad debt provision	(15)	50
Adjustments in respect of prior periods	(6)	(28)
	<u>292</u>	<u>1,266</u>
Corporation tax charge for the period		

At the year end the group had unutilised capital losses of £0.50 million (2005: £1.50 million) for which no credit has been taken in these accounts.

No provision has been made for deferred tax on the unrealised gain recognised on revaluing property to its market value. Corporation tax on a capital gain, after indexation allowance, would become payable only if the property was sold without it being possible to claim rollover relief, or if there were insufficient unutilised capital losses. The amount of unprovided tax in respect of the revaluation reserve is £171,000. The directors have no current plans to dispose of the group's long leasehold property.

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 6. Retained profit for the period

	12 months ended 31 December 2006	10 months ended 31 December 2005
	£'000	£'000
Dealt with in the accounts of the parent company	3,901	1,637
Retained by subsidiary undertakings	(207)	10
	<u>3,694</u>	<u>1,647</u>

### 7. Dividend

	12 months ended 31 December 2006	10 months ended 31 December 2005
	£'000	£'000
Equity dividend on ordinary shares		
Interim paid 60.89p (2005: nil) per ordinary share	<u>1,286</u>	<u>-</u>

### 8. Tangible fixed assets

Group	Land & buildings		Motor vehicles & office equipment	Operating lease assets	Total
	Investment property	Other properties			
	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>					
At 1 January 2006	1,000	1,796	2,032	272	5,100
Additions	-	-	51	-	51
Surplus on revaluation	-	461	-	-	461
Disposals	(1,000)	(1,157)	(944)	(272)	(3,373)
At 31 December 2006	<u>-</u>	<u>1,100</u>	<u>1,139</u>	<u>-</u>	<u>2,239</u>
<b>Depreciation</b>					
At 1 January 2006	-	328	1,155	170	1,653
Charge for the year	-	13	201	14	228
Depreciation write back on revaluation	-	(109)	-	-	(109)
Disposals	-	(232)	(917)	(184)	(1,333)
At 31 December 2006	<u>-</u>	<u>-</u>	<u>439</u>	<u>-</u>	<u>439</u>
<b>Net book values</b>					
At 31 December 2006	<u>-</u>	<u>1,100</u>	<u>700</u>	<u>-</u>	<u>1,800</u>
At 31 December 2005	<u>1,000</u>	<u>1,468</u>	<u>877</u>	<u>102</u>	<u>3,447</u>

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 8. Tangible fixed assets (continued)

<i>Company</i>	Land & Buildings Investment property	Other properties	Motor vehicles & office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 January 2006	1,000	1,796	2,032	4,828
Additions	-	-	51	51
Surplus on revaluation	-	461	-	461
Disposals	(1,000)	(1,157)	(944)	(3,101)
At 31 December 2006	-	1,100	1,139	2,239
<b>Depreciation</b>				
At 1 January 2006	-	328	1,155	1,483
Charge for the year	-	13	201	214
Depreciation write back on revaluation	-	(109)	-	(109)
Disposals	-	(232)	(917)	(1,149)
At 31 December 2006	-	-	439	439
<b>Net book values</b>				
At 31 December 2006	-	1,100	700	1,800
At 31 December 2005	1,000	1,468	877	3,345

The net book value at the year end of other properties comprised £1,100,000 (2005: £543,000) of long leasehold property and £nil (2005: £932,000) of freehold property.

The long leasehold property was valued at £1.1 million by external Chartered Surveyors, H. W. Petty & Co, as at 19 June 2006, on the basis of its existing use value in accordance with the Appraisal and Valuation Standards, 5<sup>th</sup> Edition (as amended), of the Royal Institution of Chartered Surveyors.

The carrying value of other property, based on its historical cost of £639,000, but included in the financial statements at valuation, is as follows:

	Group £'000	Company £'000
At 31 December 2006	530	530
At 31 December 2005	543	543

**Haydock Finance Limited**

**Notes to the accounts for the year ended 31 December 2006 (continued)**

**9. Fixed asset investments**

	<b>Company</b> £'000
Shares in group undertakings	
<b>Valuation</b>	
At 1 January 2006	18
Amount written off	(18)
At 31 December 2006	<u>-</u>

The historical cost of investments in group undertakings is £61,457 (2005 - £61,457).

The comparative cost of investments includes the cost of investments in certain former subsidiaries which had previously been written down to nil value and which were struck from the register of companies during the period.

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	Dormant	Ordinary	100
Juris Recoveries Limited	Dormant	Ordinary	100
		Preference	100

The above companies became dormant during the year and application was made in February 2007 to have these companies struck off the register of companies.

# **Haydock Finance Limited**

## **Notes to the accounts for the year ended 31 December 2006 (continued)**

### **10. Finance receivables and debtors**

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
<b><i>Finance receivables</i></b>				
Finance leases	59,246	57,351	59,246	57,351
Less: unearned interest	(10,411)	(9,925)	(10,411)	(9,925)
	<u>48,835</u>	<u>47,426</u>	<u>48,835</u>	<u>47,426</u>
Instalment credit receivables	46,830	62,788	46,830	62,788
Less: unearned interest	(7,290)	(9,652)	(7,290)	(9,652)
	<u>39,540</u>	<u>53,136</u>	<u>39,540</u>	<u>53,136</u>
Loans	21,033	13,080	21,033	13,080
	<u>21,033</u>	<u>13,080</u>	<u>21,033</u>	<u>13,080</u>
Total trade debtors	<u>109,408</u>	<u>113,642</u>	<u>109,408</u>	<u>113,642</u>
Amounts falling due within one year	49,695	49,185	49,695	49,185
Amounts falling due after more than one year	59,713	64,457	59,713	64,457
	<u>109,408</u>	<u>113,642</u>	<u>109,408</u>	<u>113,642</u>

The cost of assets acquired during the period for the purposes of instalment credit and finance lease agreements was £51.7m (2005: £54.4m).

### ***Debtors***

Other debtors and prepayments	302	806	302	796
Amounts due from parent and subsidiary undertakings	438	459	481	372
Deferred commissions	2,460	2,521	2,460	2,521
Corporation tax	387	-	327	-
Deferred tax (note 13)	<u>1,649</u>	<u>2,619</u>	<u>1,649</u>	<u>2,556</u>
	<u>5,236</u>	<u>6,405</u>	<u>5,219</u>	<u>6,245</u>

In respect of both the group and the company, debtors include deferred commissions of £0.95m (2005: £1.11m) which fall due after more than one year.

There are no amounts due to the company from subsidiary undertakings which are recoverable after more than one year (2005: £nil).



# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 11. Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank loans and overdraft	343	953	343	952
Trade creditors	403	602	403	602
Corporation tax	-	387	-	401
Other taxation and social security	370	96	370	96
Accruals and deferred income	3,400	4,733	3,400	4,698
	<u>4,516</u>	<u>6,771</u>	<u>4,516</u>	<u>6,749</u>

### 12. Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
<i>Preference share capital</i>				
6,000,000 'A' Preference shares of £1 each	6,000	6,000	6,000	6,000
9,000,000 'C' Redeemable Preference shares of £1 each	9,000	9,000	9,000	9,000
	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Amount due to Bank of Scotland	84,458	92,493	84,458	92,493
Deferred income	3,284	3,023	3,284	3,023
	<u>102,742</u>	<u>110,516</u>	<u>102,742</u>	<u>110,516</u>

Interest on amounts due to Bank of Scotland under the terms of a revolving credit facility is payable at various LIBOR-linked rates agreed at the time of draw-down of portions of the debt. The review date of the revolving credit facility is 28 February 2013.

At the year end the group had transacted interest rate derivatives, which have the effect of fixing interest rates, between 5.19% and 5.50%, on notional capital balances of £72.4 million (31 December 2005: £98 million). These transactions expire at varying times between 2008 and 2009.

The company and its subsidiary undertakings are parties to a cross-company guarantee in respect of borrowings by the group from Bank of Scotland, as well as in respect of borrowings of £14.5 million (2005: £15.8 million) made by the parent undertaking, Haydock Finance Holdings Limited, from Bank of Scotland.

# **Haydock Finance Limited**

## **Notes to the accounts for the year ended 31 December 2006 (continued)**

### **13. Deferred taxation**

	<b>Group</b> £'000	<b>Company</b> £'000
At 1 January 2006	(2,619)	(2,556)
Charged in the period to profit and loss account	965	902
Adjustment in respect of prior years	<u>5</u>	<u>5</u>
At 31 December 2006	<u><b>(1,649)</b></u>	<u><b>(1,649)</b></u>

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

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Short term timing differences	(898)	(772)	(898)	(772)
Excess depreciation over capital allowances on:				
Own assets	(78)	(181)	(78)	(118)
Leased assets	<u>(673)</u>	<u>(1,666)</u>	<u>(673)</u>	<u>(1,666)</u>
	<u><b>(1,649)</b></u>	<u><b>(2,619)</b></u>	<u><b>(1,649)</b></u>	<u><b>(2,556)</b></u>

The deferred tax asset is shown in Debtors (note 10) and is mainly attributable to excess depreciation over capital allowances on leased assets and provisions made against potential bad and doubtful debts. It is typically recoverable when the related finance lease terminates and the asset that is the subject of the lease has been sold and any provisions then released.

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 14. Share Capital

	2006 £'000	2005 £'000
<b>Authorised</b>		
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' Redeemable preference shares of £1 each	10,000	10,000
2,000,000 Deferred shares of £1 each	2,000	2,000
	<u>22,500</u>	<u>22,500</u>
<b>Allotted, called up and fully paid</b>		
<i>Included within share capital</i>		
2,112,000 Ordinary shares of £1 each	<u>2,112</u>	<u>2,112</u>
<i>Included within creditors (note 12)</i>		
6,000,000 'A' Preference shares of £1 each	6,000	6,000
9,000,000 'C' Redeemable preference shares of £1 each	<u>9,000</u>	<u>9,000</u>
	<u>15,000</u>	<u>15,000</u>

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. On a winding up, they are repayable at par and rank behind the 'C' Redeemable Preference shares but ahead of the other classes of shares.

#### 'C' Redeemable preference shares

'C' Redeemable preference shares carry no voting rights and carry a 5% per annum cumulative dividend. These shares were redeemable at par on 28 February 2006. In the opinion of the directors, it was not in the interest of the shareholder that distributable reserves should be used to redeem any of these preference shares at any time within 12 months of the balance sheet date. Accordingly, the 'C' redeemable preference shares have been included within creditors due after one year. Dividends will continue to be paid on the shares until such future date when the shares are redeemed. 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.

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 15. Statement of movements on reserves

	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Revaluation reserve £'000	Profit & loss account £'000
<b>Group</b>					
At 1 January 2006	200	1,000	128	-	2,769
Profit retained for year	-	-	-	-	3,694
Equity dividends paid	-	-	-	-	(1,286)
Surplus on revaluation	-	-	-	570	-
Transfer of reserves	-	-	(128)	-	128
At 31 December 2006	<u>200</u>	<u>1,000</u>	<u>-</u>	<u>570</u>	<u>5,305</u>
<b>Company</b>					
At 1 January 2006	200	1,000	-	-	2,673
Profit retained for year	-	-	-	-	3,901
Equity dividends paid	-	-	-	-	(1,286)
Surplus on revaluation	-	-	-	570	-
At 31 December 2006	<u>200</u>	<u>1,000</u>	<u>-</u>	<u>570</u>	<u>5,288</u>

The merger reserve, now being a realised group reserve following the dissolution of certain subsidiary undertakings, has been transferred to the profit and loss account.

### 16. Reconciliation of movement in shareholders' funds

	Group £'000	Company £'000
Profit for the financial period	3,694	3,901
Equity dividend paid	<u>(1,286)</u>	<u>(1,286)</u>
	2,408	2,615
Surplus on revaluation	570	570
Opening shareholder's funds at 1 January 2006	<u>6,209</u>	<u>5,985</u>
Closing shareholder's funds at 31 December 2006	<u>9,187</u>	<u>9,170</u>

# Haydock Finance Limited

## Notes to the accounts for the year ended 31 December 2006 (continued)

### 17. Directors

	12 months ended 31 December 2006 £'000	10 months ended 31 December 2005 £'000
Fees	24	20
Emoluments for qualifying services	450	488
Company contributions paid to defined contribution schemes	58	46
	<u>532</u>	<u>554</u>

The number of directors for whom retirement benefits were accruing under defined contribution schemes amounted to 3 (2005: 3).

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

	£'000	£'000
Emoluments for qualifying services	204	264
Company contributions paid to defined contribution scheme	<u>24</u>	<u>19</u>

### 18. Employees

#### Number of employees

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

	12 months ended 31 December 2006 Number	10 months ended 31 December 2005 Number
Sales	15	23
Administration	<u>44</u>	<u>58</u>
	<u>59</u>	<u>81</u>

Staff costs include the following:

Wages and salaries	2,115	2,180
Social security costs	228	232
Other pension costs	<u>128</u>	<u>106</u>
	<u>2,471</u>	<u>2,518</u>

## **Haydock Finance Limited**

### **Notes to the accounts for the year ended 31 December 2006 (continued)**

#### **19. 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 period totalled £128,000 (2005: £106,000). There were no unpaid contributions at the year end (2005: £nil).

#### **20. Contingent liabilities**

The company is a party to a cross-company guarantee in respect of borrowings by its ultimate parent undertaking in the amount of £14,514,000.

#### **21. Related party transactions**

##### **Ignition Car Supermarkets Limited ("ICS")**

J H Wilkinson is a director and shareholder of ICS. Up until the date of disposal of the group's investment property, the group leased it to ICS under a 15 year lease which was normally due to end in 2018. Rental income earned by the group in the period was £26,625 (2005 - £88,750) and was considered by the directors to be market rate. There was no amount outstanding at the year end (2005 - £Nil).

During the period, the group sold repossessed and end of contract vehicles to ICS for £347,452 (2005: £172,319). The net amount due from ICS at the period end in respect of these transactions, which were conducted on normal commercial terms, was £447 (2005: £10,076).

The amount outstanding at the period end under a finance lease entered into between the group and ICS was £nil (2005: £67,008).

##### **Beck Developments Limited ("Beck")**

J H Wilkinson is a director and shareholder of Beck. Professional advice and services relating to all arrangements connected with the disposal of the group's freehold property were provided to the group by Beck in 2006, on normal commercial terms and cost £0.88m. There was no amount unpaid at the year end for these transactions.

##### **Norwest Sales Limited ("Norwest")**

J H Wilkinson is a director and shareholder of Norwest. During the period the group advanced, by way of loans on normal commercial terms, an aggregate of £1.50 million (2005: £2.54 million) to Norwest at various times during the period. The highest amount outstanding during the year was £1 million, and the amount due from Norwest at the year end was £1.0 million (2005: £0.5 million).

## Haydock Finance Limited

### Notes to the accounts for the year ended 31 December 2006 (continued)

#### 22. Operating lease commitments

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Operating leases in respect of land and buildings:				
Lease expiring after 5 years	11	11	11	11
Other operating Leases	-	1	-	1

#### 23. Controlling Party

Haydock Finance Holdings Limited is the company's ultimate parent undertaking. Accounts for this company will be obtainable from Companies House, Crown Way, Cardiff, CF14 3UZ.

Haydock Finance Holdings Limited is controlled by J H Wilkinson, a director.