

# ***Haydock*** ***Finance***

**Haydock Finance Limited  
Annual Report and Accounts**

**For the year ended  
28 February 2002**

**Registered no. 1526882**



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**Haydock Finance Limited**  
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**Haydock Finance Limited**  
**Company Information****Directors***Non Executive*

H M Grossart  
J E Black

*Executive*

J H Wilkinson	<i>Chairman</i>	
R M Pepper	<i>Group Chief Executive</i>	(appointed 1 Feb 2002)
D R S Lamond		
K W Eastham		(resigned 16 Nov 2001)
T R Entwistle		(resigned 2 July 2002)
T C McCaughie		(resigned 21 June 2002)
D A Porter		(resigned 27 April 2001)
S R West		(appointed 25 July 2001 resigned 18 Feb 2002)

**Secretary and registered office**

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

**Auditors**

Garbutt & Elliott Limited  
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 2002**

The Directors submit their report and group accounts of Haydock Finance Limited for the year ended 28 February 2002.

**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. The range of financial services offered to customers was extended during the year. The group also widened its business activities by acquiring a motor trading business and two car supermarket businesses. The group also entered the vehicle contract hire market through the establishment of its subsidiary Ignition Vehicle Management Ltd.

**Results and Dividend**

The group made a profit before goodwill amortisation and tax from its continuing business of £131,000 (2001: £1.89 million). After goodwill amortisation of £169,000 (2001: £93,000), the group made a loss before tax from the group's continuing business of £38,000. This included a loss before tax of £359,000 from the acquired businesses and a start-up loss before tax of £391,000 from the new contract hire operation. After a tax charge of £170,000 and preference dividends paid of £500,000, there is a retained loss for the year which has been taken to reserves. The directors do not recommend payment of a final dividend.

The loss before tax of £38,000 compares with a profit of £1.8 million achieved for the year to 28 February 2001.

**Acquisitions**

The company acquired, with effect from 1 April 2001, the entire issued share capital of Headboss Limited, a company engaged in the supply of motor vehicles. The net assets acquired amounted to £1.1 million, and the consideration paid was £1.3 million. As the company was previously owned by J H Wilkinson and his family interests, the acquisition required the prior approval of shareholders. The company was renamed Ignition Vehicle Sales Limited on 15 May 2001.

In June 2001, the group established a vehicle contract hire operation which trades as Ignition Vehicle Management Limited.

In October 2001, the group acquired the business, stock in trade and fixed assets of two car supermarkets for an aggregate consideration of £4.3 million. These supermarkets have been integrated with the operations of Ignition Vehicle Sales Limited.

**Donations**

The group made charitable donations during the year amounting to £1,000 (2001: £840).

**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.

**Share Capital and Directors' Interests**

Details of the Directors who served during the year are provided on page 3.

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 2002	At 1 March 2001	At 28 February 2002	At 1 March 2001
J H Wilkinson	850,000	830,000	-	-
J E Black	35,000	35,000	-	-
T R Entwistle	30,000	40,000	37,500	37,500
D R S Lamond	10,000	-	40,000	40,000
T C McCaughie	-	-	40,000	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.

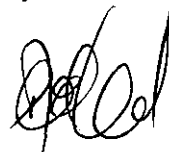
At 1 March 2001 and 28 February 2002, H M Grossart, by virtue of his interest in Petronius Limited which is a company wholly owned by him and his family interests, had an option to subscribe for 100,000 ordinary shares exercisable at £1.50 per share. Further details are given in note 16 to the accounts.

No director had any interest in the issued preference share capital of the Company at 1 March 2001 or at 28 February 2002.

**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  
10 July 2002

**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 8 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

10 July 2002

**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 27 for the year ended 28 February 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

**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.

**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 2002 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  
10 July 2002

Monkgate House  
44 Monkgate  
York  
YO31 7HF

**Haydock Finance Limited**

**Group Profit and Loss Account  
for the year ended 28 February 2002**

	Notes	2002 £'000	2001 £'000
<b>Revenue</b>	2		
Continuing operations		15,244	13,072
Acquisitions		<u>24,738</u>	<u>2,450</u>
		<u>39,982</u>	<u>15,522</u>
<b>(Loss) / profit on ordinary activities before taxation</b>	2, 3		
Continuing operations		321	1,748
Acquisitions		<u>(359)</u>	<u>52</u>
		<u>(38)</u>	<u>1,800</u>
Taxation on profit on ordinary activities	5	<u>(170)</u>	<u>(638)</u>
<b>(Loss) / profit on ordinary activities after taxation</b>		(208)	1,162
Dividends	6	<u>(500)</u>	<u>(500)</u>
<b>Retained (loss) / profit for the year</b>	7, 17	<u>(708)</u>	<u>662</u>

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

The notes on pages 14 to 27 form part of these accounts.

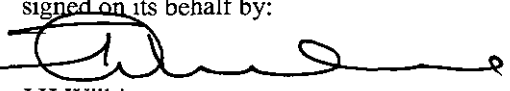


**Haydock Finance Limited**
**Group Balance Sheet  
 as at 28 February 2002**

	Notes	2002 £'000	£'000	2001 £'000	£'000
<b>Fixed assets</b>					
Intangible assets	8	896		769	
Tangible assets	9	<u>5,598</u>		<u>1,622</u>	
			6,494		2,391
<b>Current assets</b>					
Finance lease and instalment credit receivables					
<i>Amounts falling due:</i>					
Within one year	11	42,733		37,201	
After more than one year	11	66,806		52,930	
Stock	12	5,855		-	
Debtors	11	4,334		2,827	
Cash at bank and in hand		<u>4</u>		<u>6</u>	
		119,732		92,964	
<b>Creditors : Amounts falling due within one year</b>	13	<u>(6,404)</u>		<u>(3,592)</u>	
<b>Net current assets</b>			113,328		89,372
<b>Total assets less current liabilities</b>			119,822		91,763
<b>Creditors : Amounts falling due after more than one year</b>	14		(99,750)		(70,983)
<b>Provisions for liabilities and charges</b>					
Deferred taxation	15		<u>-</u>		<u>-</u>
			20,072		20,780
<b>Capital and reserves</b>					
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>1,632</u>		<u>2,340</u>
<b>Shareholders' funds</b>	18		<u>20,072</u>		<u>20,780</u>
Equity interests			4,072		4,780
Non-equity interests			<u>16,000</u>		<u>16,000</u>
			20,072		20,780

The notes on pages 14 to 27 form part of these accounts.

The financial statements on pages 8 to 27 were approved by the Board of Directors on 10 July 2002 and signed on its behalf by:

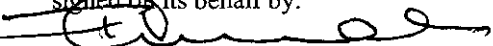
  
 J H Wilkinson  
 Chairman

**Haydock Finance Limited**
**Company Balance Sheet  
 as at 28 February 2002**

	Notes	2002 £'000	2001 £'000
<b>Fixed assets</b>			
Intangible assets	8	365	436
Tangible assets	9	1,241	1,595
Investments	10	<u>1,556</u>	<u>224</u>
		3,162	2,255
<b>Current assets</b>			
Finance lease and instalment credit receivables			
<i>Amounts falling due:</i>			
Within one year	11	42,733	37,201
After more than one year	11	66,806	52,930
Debtors	11	13,368	2,663
Cash at bank and in hand		<u>-</u>	<u>-</u>
		122,907	92,794
<b>Creditors : Amounts falling due within one year</b>	13	<u>(5,654)</u>	<u>(3,415)</u>
<b>Net current assets</b>		<u>117,253</u>	<u>89,379</u>
<b>Total assets less current liabilities</b>		120,415	91,634
<b>Creditors : Amounts falling due after more than one year</b>	14	(99,750)	(70,983)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	15	<u>-</u>	<u>-</u>
		20,665	20,651
<b>Capital and reserves</b>			
Called up share capital	16	18,112	18,112
Share premium account	17	200	200
Profit and loss account	17	<u>2,353</u>	<u>2,339</u>
<b>Shareholders' funds</b>	18	<u>20,665</u>	<u>20,651</u>
Equity interests		4,665	4,651
Non-equity interests		<u>16,000</u>	<u>16,000</u>
		20,665	20,651

The notes on pages 14 to 27 form part of these accounts.

The financial statements on pages 8 to 27 were approved by the Board of Directors on 10 July 2002 and signed on its behalf by:

  
 J H Wilkinson  
 Chairman

**Haydock Finance Limited**
**Group Cash Flow Statement  
 for the year ended 28 February 2002**

	2002 £'000	2001 £'000
<b>Net cash (outflow) / inflow from operating activities</b>	(13,718)	7,727
<b>Returns on investments and servicing of finance</b>		
Dividends paid on preference shares	(500)	(550)
Interest paid	(4,892)	(4,180)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<u>(5,392)</u>	<u>(4,730)</u>
<b>Taxation</b>	(982)	(393)
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(2,375)	(395)
Receipts from sale of tangible fixed assets	367	38
<b>Net cash outflow from investing activities</b>	<u>(2,008)</u>	<u>(357)</u>
<b>Acquisitions and disposals</b>		
Acquisitions	(5,561)	(386)
Net overdraft acquired with subsidiary	(747)	(200)
<b>Net cash outflow from acquisitions and disposals</b>	<u>(6,308)</u>	<u>(586)</u>
<b>Equity dividends paid</b>	<u>-</u>	<u>(20)</u>
<b>Net cash (outflow) / inflow before financing</b>	(28,408)	1,641
<b>Financing</b>		
Cash inflow from increase in debt financing	28,767	-
Repayment of long term bank loan	-	(3,250)
<b>Net cash inflow/(outflow) from financing</b>	<u>28,767</u>	<u>(3,250)</u>
<b>Increase / (decrease) in cash in the year</b>	<u>359</u>	<u>(1,609)</u>

**Haydock Finance Limited**  
**Notes to the Cash Flow Statement**  
**For the year ended 28 February 2002**

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

	2002 £'000	2001 £'000
Operating (loss) / profit	(38)	1,800
Net interest payable	5,259	4,470
Depreciation of tangible assets	753	510
Goodwill amortisation	169	93
Profit on disposal of tangible assets	(6)	(7)
Increase in stock	(2,108)	-
Increase in debtors	(872)	(510)
Increase in creditors due within one year	2,533	14
Increase in general and specific bad debt provisions	1,240	453
Capital advanced on instalment credit & finance leases agreements	(80,847)	(57,509)
Capital reduction on instalment credit & finance leases agreements	60,199	58,413
Net cash (outflow) / inflow from operating activities	<u>(13,718)</u>	<u>7,727</u>

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

	1 March 2001 £'000	Cash flow £'000	28 February 2002 £'000
Net cash:			
Cash at bank and in hand	6	(2)	4
Bank overdraft	<u>(1,251)</u>	<u>361</u>	<u>(890)</u>
	<u>(1,245)</u>	<u>359</u>	<u>(886)</u>
Debt:			
Debts falling due within one year	-	-	-
Debts falling due after one year	<u>(70,983)</u>	<u>(28,767)</u>	<u>(99,750)</u>
	<u>(70,983)</u>	<u>(28,767)</u>	<u>(99,750)</u>
Net debt	<u>(72,228)</u>	<u>(28,408)</u>	<u>(100,636)</u>

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

	2002 £'000	2001 £'000
Increase / (decrease) in cash in the year	359	(1,609)
Cash (inflow) / outflow from (increase) / decrease in debt	(28,767)	3,250
Movement in net debt in the year	<u>(28,408)</u>	<u>1,641</u>
Opening net debt	(72,228)	(73,869)
Closing net debt	<u>(100,636)</u>	<u>(72,228)</u>

**Notes to the Cash Flow Statement (continued)**
**4. Acquisitions**

	Subsidiary Acquired £'000	Business Acquired £'000	Total £'000
<b>Net assets acquired</b>			
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)
	<hr/> 1,087	<hr/> 4,329	<hr/> 5,416
Goodwill	245	-	245
	<hr/> 1,332	<hr/> 4,329	<hr/> 5,661
 <b>Satisfied by</b>			
Cash	1,219	4,329	5,548
Deferred consideration	100	-	100
Acquisition expenses	13	-	13
	<hr/> 1,332	<hr/> 4,329	<hr/> 5,661

**Haydock Finance Limited**  
**Notes to the accounts for the year ended 28 February 2002**

**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, all of which are continuing. The financial statements are prepared in accordance with applicable Accounting Standards.

The directors have adopted the requirements of Financial Reporting Standard No 18 -- Accounting Policies in presenting the financial statements.

Certain comparative figures have been amended as the directors consider the new presentation better reflects the group's circumstances.

**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 relative hire agreement.

***Other income***

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

**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 with customers. The assets are depreciated 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 revenue, net of recoveries.

Finance lease and instalment credit receivables are stated net of specific and general provisions in the balance sheet.

**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 paid is spread over the period of the repayment in proportion to the net cash investment.

## 2. Revenue and Operating (Loss) / Profit

	2002			2001		
	Continuing operations £'000	Acquisitions £'000	Total £'000	Continuing operations £'000	Acquisitions £'000	Total £'000
Revenue						
Interest income	13,182	-	13,182	13,072	-	13,072
Sales of motor vehicles	2,062	24,738	26,800	-	2,450	2,450
	15,244	24,738	39,982	13,072	2,450	15,522
Cost of sales	(2,104)	(23,147)	(25,251)	-	(2,410)	(2,410)
Other operating income	1,998	159	2,157	749	252	1,001
Administrative expenses	(9,706)	(1,962)	(11,668)	(7,607)	(236)	(7,843)
Interest payable	(5,111)	(147)	(5,258)	(4,466)	(4)	(4,470)
Operating profit	321	(359)	(38)	1,748	52	1,800

Revenue consists principally of interest and commission income derived from the group's finance activity and the value of sales, excluding VAT, of goods and services derived from the group's motor trading activity.

Interest income comprises income from instalment credit, finance lease and operating lease agreements.

On 2 July 2001, the group merged the business of its subsidiary undertaking Europa Vehicle Management Limited ("EVM") with that of Ignition Vehicle Sales Limited which was acquired in April 2001. The merger occurred because both subsidiaries were engaged in primarily the same business, being the sale of motor vehicles. The results of EVM for the period up to 2 July 2001 have been included within the results for continuing operations. But on the grounds of impracticability in separately identifying its revenues and costs from within the merged business, its results from 2 July 2001 to 28 February 2002 are included within those for the acquisitions.

## 3. (Loss) / Profit on ordinary activities before taxation

(Loss) / profit on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Commission charges	2,167	2,254
Depreciation of tangible assets	753	510
Goodwill amortisation	169	93
Auditors' remuneration	30	18
Remuneration of auditors for non-audit work	19	48
And after crediting:		
Instalment credit repayments	62,716	67,139
Finance lease rentals	10,325	4,132
Operating lease rentals	117	-
Profit on disposal of tangible fixed assets	6	7



**4. Net Interest Payable**

	2002 £'000	2001 £'000
Interest payable to Bank of Scotland	4,669	4,495
Other interest	590	(25)
	<u>5,259</u>	<u>4,470</u>

**5. Tax on (loss) / profit on ordinary activities**

	2002 £'000	2001 £'000
<b>Current year taxation</b>		
Corporation tax at 30%	645	919
Deferred taxation	(518)	(307)
	<u>127</u>	<u>612</u>
<b>Prior years</b>		
Corporation tax	13	(9)
Deferred taxation	30	35
	<u>170</u>	<u>638</u>

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

	2002 £'000	2001 £'000
(Loss) / profit on ordinary activities before tax	<u>(38)</u>	<u>1,800</u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30% (2001: 30%)	(11)	541
Expenses not deductible for tax purposes	127	63
Depreciation in excess of capital allowances	332	327
Deferred commissions	25	(22)
General bad debt provision	170	20
Adjustment in respect of prior periods	13	(9)
Capital gain	6	-
Utilisation by subsidiary undertaking of its brought forward losses	(4)	(10)
Current tax charge for period	<u>658</u>	<u>910</u>

**6. Dividends**

	2002 £'000	2001 £'000
Fixed rate preference dividends paid	<u>500</u>	<u>500</u>

**7. Retained (loss) / profit for the year**

	2002 £'000	2001 £'000
Dealt with in the accounts of the parent company	14	661
Retained by subsidiary undertakings	<u>(722)</u>	<u>1</u>
	<u>(708)</u>	<u>662</u>

**8. Intangible fixed assets**

	<b>Group</b> £'000	<b>Company</b> £'000
<b>Purchased goodwill</b>		
<b>Cost</b>		
At 1 March 2001	862	499
Arising on acquisition	51	-
Additions	<u>245</u>	<u>-</u>
At 28 February 2002	<u>1,158</u>	<u>499</u>
<b>Amortisation</b>		
At 1 March 2001	93	63
Charge for the year	<u>169</u>	<u>71</u>
At 28 February 2002	<u>262</u>	<u>134</u>
<b>Net Book Value</b>		
At 28 February 2002	<u>896</u>	<u>365</u>
At 28 February 2001	<u>769</u>	<u>436</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.

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

**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
<b>Cost</b>						
At 1 March 2001	639	76	1,606	415	-	2,736
Arising on acquisition	336	2,186	213	10	-	2,745
Additions	43	-	598	143	1,591	2,375
Disposals	-	(76)	(8)	(242)	(170)	(496)
At 28 February 2002	<u>1,018</u>	<u>2,186</u>	<u>2,409</u>	<u>326</u>	<u>1,421</u>	<u>7,360</u>
<b>Depreciation</b>						
At 1 March 2001	35	8	939	132	-	1,114
Arising on acquisition	3	-	24	3	-	30
Charge for the year	16	5	559	96	77	753
Disposals	-	(9)	(5)	(115)	(6)	(135)
At 28 February 2002	<u>54</u>	<u>4</u>	<u>1,517</u>	<u>116</u>	<u>71</u>	<u>1,762</u>
<b>Net book values</b>						
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>
At 28 February 2001	<u>604</u>	<u>68</u>	<u>667</u>	<u>283</u>	<u>-</u>	<u>1,622</u>

**Company**

	Long Leasehold Property £'000	Freehold Property £'000	Fixtures, Fittings and computers £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>					
At 1 March 2001	639	76	1,558	415	2,688
Additions	35	-	400	70	505
Transferred to subsidiary undertakings	(35)	-	(38)	(23)	(96)
Disposals	-	(76)	(8)	(240)	(324)
At 28 February 2002	<u>639</u>	<u>-</u>	<u>1,912</u>	<u>222</u>	<u>2,773</u>
<b>Depreciation</b>					
At 1 March 2001	35	8	918	132	1,093
Charge for the year	13	1	489	80	583
Transferred to subsidiary undertakings	-	-	(8)	(7)	(15)
Disposals	-	(9)	(5)	(115)	(129)
At 28 February 2002	<u>48</u>	<u>-</u>	<u>1,394</u>	<u>90</u>	<u>1,532</u>
<b>Net book values</b>					
At 28 February 2002	<u>591</u>	<u>-</u>	<u>518</u>	<u>132</u>	<u>1,241</u>
At 28 February 2001	<u>604</u>	<u>68</u>	<u>640</u>	<u>283</u>	<u>1,595</u>

**10. Fixed Asset Investments**

	<b>Company</b> £'000
Shares in group undertakings	
<b>Cost</b>	
At 1 March 2001	224
Acquisitions	1,332
At 28 February 2002	<u>1,556</u>

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 Sales Limited (formerly Headboss Limited)	Supply of motor vehicles	Ordinary	100
Ignition Vehicle Management Limited	Vehicle contract hire	Ordinary	100
Junction 4 (Blackburn) Limited	Property Investment	Ordinary Preference	100 100
Europa Vehicle Management Limited	Dormant	Ordinary	100
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 Ignition Group Limited

The company acquired, with effect from 1 April 2001, the entire issued share capital of Headboss Limited, a company engaged in the supply of motor vehicles. The net assets acquired amounted to £1.1 million, and the consideration paid was £1.3 million. As the company was previously owned by J H Wilkinson and his family interests, the acquisition required the prior approval of shareholders. The company was renamed Ignition Vehicle Sales Limited on 15 May 2001.

**11. Finance lease and instalment credit receivables and debtors**

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
<b><i>Finance lease and instalment credit receivables</i></b>				
Finance leases	24,543	10,211	24,543	10,211
Less: unearned interest	(4,511)	(1,961)	(4,511)	(1,961)
	<u>20,032</u>	<u>8,250</u>	<u>20,032</u>	<u>8,250</u>
Instalment credit receivables	103,527	96,285	103,527	96,285
Less: unearned interest	(17,650)	(16,909)	(17,650)	(16,909)
	<u>85,877</u>	<u>79,376</u>	<u>85,877</u>	<u>79,376</u>
Loans	3,630	2,505	3,630	2,505
Total trade debtors	<u>109,539</u>	<u>90,131</u>	<u>109,539</u>	<u>90,131</u>
Amounts falling due within one year	42,733	37,201	42,733	37,201
Amounts falling due after more than one year	66,806	52,930	66,806	52,930
	<u>109,539</u>	<u>90,131</u>	<u>109,539</u>	<u>90,131</u>

The cost of assets acquired during the year for the purposes of instalment credit and finance lease agreements was £98.6m (2001: £73.7m. Last year's accounts incorrectly disclosed the aggregate cost of assets acquired as £57.5m).

***Debtors***

Other debtors and prepayments	1,647	1,223	565	902
Amounts due from subsidiary undertakings	-	-	10,067	157
Deferred commissions	1,938	1,343	1,938	1,343
Deferred tax (note 15)	749	261	798	261
	<u>4,334</u>	<u>2,827</u>	<u>13,368</u>	<u>2,663</u>

In respect of both the group and the company, debtors include deferred commissions of £1,139,000 (2001: £798,000) which fall due after more than one year. Amounts due to the company from subsidiary undertakings £10,067,000 are recoverable after more than one year (2001: nil).

**12. Stock**

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Motor vehicle stock	<u>5,855</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13. Creditors: amounts falling due within one year**

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Bank loans and overdraft	890	1,251	1,018	1,249
Loan notes 2001	-	25	-	25
Trade creditors	1,473	236	655	136
Amounts owed to subsidiary undertakings	-	-	100	-
Corporation tax	571	895	790	875
Other taxation and social security	247	84	117	76
Accruals and deferred income	3,223	1,101	2,974	1,054
	<u>6,404</u>	<u>3,592</u>	<u>5,654</u>	<u>3,415</u>

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

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amount due to Bank of Scotland	<u>99,750</u>	<u>70,983</u>	<u>99,750</u>	<u>70,983</u>

The amount due to Bank of Scotland is a revolving credit facility due for renewal on 28 February 2006. Interest is payable at a variety of 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 (2001: £52m). These agreements mature at varying times between 2002 and 2006.

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

**15. Deferred Taxation**

	<b>Group</b> £'000	<b>Company</b> £'000
Balance at 1 March 2001	(261)	(261)
Credited in the year to profit & loss account	(518)	(567)
Undercharge for prior years	30	30
Balance at 28 February 2002	<u>(749)</u>	<u>(798)</u>

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

	<b>Group</b>		<b>Company</b>	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Short term timing differences	97	187	97	187
Excess depreciation over capital allowances on:				
Own assets	(66)	(52)	(115)	(52)
Leased assets	<u>(780)</u>	<u>(396)</u>	<u>(780)</u>	<u>(396)</u>
	<u>(749)</u>	<u>(261)</u>	<u>(798)</u>	<u>(261)</u>

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

**16. Share Capital**

	2002 £'000	2001 £'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' 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>		
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>18,112</u>	<u>18,112</u>

On 18 March 2002, the company approved in general meeting the issue of 125,000 ordinary shares of £1 each to R M Pepper, a director, for a cash consideration of £125,000. As at 10 July 2002, none of these shares have yet been allotted.

**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 no voting rights and carry a nil dividend until 28 February 2002. From 1 March 2002 until 28 February 2006 they 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 2002, there were in issue 202,500 options to subscribe for ordinary shares. The aggregate exercise price of these options is £287,500. Under the scheme, options are normally exercisable before the expiry of 10 years from the date of grant.

The company has in addition granted an option over 100,000 ordinary shares to Petronius Limited, a company controlled by H M Grossart. This option is exercisable before 8 September 2005, at an aggregate exercise price of £150,000.

**17. Statement of movements on reserves**

	Share Premium Account £'000	Other Reserve £'000	Profit & Loss Account £'000
<b>Group</b>			
At 1 March 2001	200	128	2,340
(Loss) / profit retained for year	-	-	(708)
At 28 February 2002	200	128	1,632
<b>Company</b>			
At 1 March 2001	200	-	2,339
Profit retained for year	-	-	14
At 28 February 2002	200	-	2,353



**18. Reconciliation of movement in shareholders' funds**

	<b>Group</b> £'000	<b>Company</b> £'000
(Loss) / profit retained for the financial year	(708)	14
Opening shareholders' funds at 1 March 2001	20,780	20,651
Closing shareholders' funds at 28 February 2002	20,072	20,665

**19. Directors**

	<b>2002</b> £'000	<b>2001</b> £'000
Fees	51	26
Emoluments for qualifying services	412	379
Company contributions paid to defined contribution schemes	69	80
Compensation for loss of office	90	-
	622	485

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2001 - 6)

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

	<b>£'000</b>	<b>£'000</b>
Emoluments for qualifying services	120	105
Company contributions paid to defined contribution scheme	22	20

The services of H M Grossart are provided under an Advisory Contract with Petronius Limited and the fees payable amounted to £22,000 (2001: £14,000 (from the date of appointment))

**20. Employees**

**Number of employees**

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

	<b>2002</b> Number	<b>2001</b> Number
Sales	39	19
Administration	102	70
	141	89

Staff costs include the following:

	<b>2002</b> £'000	<b>2001</b> £'000
Wages and salaries	3,474	1,972
Social security costs	374	192
Other pension costs	168	114
	4,016	2,278

**21. Pension costs**

The group has no 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 £168,000 (2001: £114,000). There were no unpaid contributions at the year end (2001: £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 £130 million revolving credit line due for repayment by 28 February 2006. At the year end £99,750,000 (2001: £70,983,000) was due to Bank of Scotland and included within creditors due after more than one year. Interest charged by Bank of Scotland was £4,669,000 (2001: £4,495,000) of which £979,000 (2001: £811,000) was included within accruals and deferred income at the year end.

**Headboss Limited ("Headboss")**

During the year the group acquired from J H Wilkinson and his family the entire issued share capital of Headboss, which has now been renamed Ignition Vehicle Sales Limited. Details are given in note 10. In conjunction with this transaction, the group acquired land at a cost of £35,000 from Norwest Sales Limited, a company wholly owned by J H Wilkinson. This acquisition also required the prior approval of shareholders.

**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 £40,000 (2001: £102,000) to Hilton by way of instalment credit agreements. At the year end, £78,000 (including deferred charges) (2001: £113,000) was outstanding on those agreements. These agreements were written on the group's normal commercial terms.

**Scuffs Vehicle Management Limited ("Scuffs")**

R M Pepper was a director and shareholder of Scuffs, which is currently in administrative receivership. During the year, prior to R M Pepper's appointment as a director of Haydock Finance Limited, the group advanced to Scuffs £269,000 under a finance lease agreement on the group's normal commercial terms. The remaining rentals (excluding VAT) payable under the lease agreement at 28 February 2002 amounted to £198,000. As Scuffs is no longer a going concern, a bad debt provision of £97,000 has been made in these accounts against this debt.

Also during the year, and again prior to R M Pepper's appointment as a director of Haydock Finance Limited, the group's contract hire subsidiary entered into an operating lease agreement on normal commercial terms with Scuffs. The capital cost of the vehicles under the lease was £170,000, and prior to Scuff's ceasing to trade income of £7,000 was recognised in these accounts. Upon termination of the lease agreement, the group incurred a loss of £38,000 on the disposal of the vehicles.

23. Commitments

		Group		Company	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
a)	<b>Capital Commitments</b>				
	Capital expenditure commitments contracted with third parties but not provided for	-	102	-	102
b)	<b>Operating Lease Commitments</b>				
	Operating leases in respect of land and buildings:				
	Lease expiring within 2 to 5 years	23	7	2	7