

**Haydock Finance Limited
Annual Report and Accounts**

**For the year ended
28 February 2005**

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
D R S Lamond
J W Blanchflower

Executive Chairman
Chief Executive Officer
Sales Director

Secretary and registered office

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

Auditors

Garbutt & Elliott Limited
Arabesque House
Monks Cross Drive
Huntington
York YO32 9GW

Bankers

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

Haydock Finance Limited**Directors' Report
for the Year Ended 28 February 2005**

The directors submit their report and group accounts of Haydock Finance Limited for the year ended 28 February 2005.

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 financial results reflect the good progress made during the year and the directors are confident that this will continue.

Results and Dividend

The group made a profit before tax from its continuing operations of £2.38 million (2004: £2.03 million).

After a tax charge of £0.88 million (2004: £0.73 million) and preference dividends paid of £0.75 million (2004: £0.79 million), there is a retained profit for the year of £0.75 million (2004: £0.51 million) which has been taken to reserves. The directors do not recommend payment of a final dividend.

Redemption of Preference Shares

During the year, the company redeemed £0.25 million of "C" Preference Shares at par, leaving £9 million of these shares outstanding at the year end. The payment was made out of distributable reserves. These shares are normally redeemable in 2006, but earlier redemption is permitted under the Articles of Association. The Directors considered that the redemption of £0.25 million was in the best interests of shareholders in view of the amount of distributable reserves available, as well as the after-tax saving to be made when the coupon of 5% (net of tax) is compared to current interest rates.

Change in Accounting Policy

The directors have re-considered the accounting classification of a group property which until July 2003 was leased between subsidiary companies. In the opinion of the directors this property, which is now leased to a related party, should be accounted for as an investment property in accordance with SSAP19. Further details are given in note 8 to the accounts. There has been no material effect on the financial statements arising from this change in accounting policy.

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.

Donations

The group made charitable donations during the year amounting to £710 (2004: £711).

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 28 February 2005 (continued)**

Share Capital and Directors' Interests

The directors who served during the year were:

J H Wilkinson
D R S Lamond
J W Blanchflower (appointed 28 June 2004)
J E Black (resigned 7 February 2005, re-appointed 16 March 2005)
S L Worrall (resigned 9 March 2005)

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 2005	At 1 March 2004 (or later date of appointment)	At 28 February 2005	At 1 March 2004 (or later date of appointment)
J H Wilkinson	955,000	955,000	-	-
D R S Lamond	10,000	10,000	100,000	100,000
J W Blanchflower	-	-	100,000	-
S W Worrall	-	-	10,000	10,000

All of the options to subscribe for ordinary shares were granted under the rules of the Haydock Finance Limited Unapproved Share Option Scheme, further details of which are provided in note 14 to the accounts. These options lapsed on 15 March 2005 upon the change in control of the company.

No director had any interest in the issued preference share capital of the company at 1 March 2004 or at 28 February 2005.

Change of Control

On 15 March 2005 the company was acquired by Haydock Finance Holdings Limited. Further details are provided in note 22 to the accounts. Haydock Finance Holdings Limited is controlled by J H Wilkinson, a director of the company, and his family interests.

Auditors

The Company 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
31 May 2005

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 7 to 26 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
31 May 2005

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 7 to 26 for the year ended 28 February 2005. 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 4 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 2005 and of the profit 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
31 May 2005

Arabesque House
Monks Cross Drive
Huntington
York
YO32 9GW

Haydock Finance Limited

**Group Profit and Loss Account
for the year ended 28 February 2005**

	Notes	2005 £'000	2004 £'000
Revenue	2		
Continuing operations		<u>16,467</u>	<u>16,611</u>
Profit on ordinary activities before taxation			
Continuing operations	2, 3	2,381	2,034
Taxation on profit on ordinary activities	5	<u>(875)</u>	<u>(729)</u>
Profit on ordinary activities after taxation		1,506	1,305
Dividends paid to non-equity shareholders	6	<u>(754)</u>	<u>(796)</u>
Retained profit for the year	7, 15	<u>752</u>	<u>509</u>

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

The notes on pages 12 to 26 form part of these accounts.


Haydock Finance Limited

Group Balance Sheet as at 28 February 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	8	3,189	4,289
Current assets			
Finance lease and instalment credit receivables			
<i>Amounts falling due:</i>			
Within one year	10	48,317	46,971
After more than one year	10	67,211	66,315
Debtors	10	5,325	4,309
Cash at bank and in hand		1,000	-
		<u>121,853</u>	<u>117,595</u>
Creditors : Amounts falling due within one year	11	<u>(6,964)</u>	<u>(7,360)</u>
Net current assets		<u>114,889</u>	<u>110,235</u>
Total assets less current liabilities		<u>118,078</u>	<u>114,524</u>
Creditors : Amounts falling due after more than one year	12	<u>(98,516)</u>	<u>(95,464)</u>
Provisions for liabilities and charges			
Deferred taxation	13	<u>-</u>	<u>-</u>
		<u>19,562</u>	<u>19,060</u>
Capital and reserves			
Called up share capital	14	17,112	17,362
Share premium account	15	200	200
Capital redemption reserve	15	1,000	750
Other reserve	15	128	128
Profit and loss account	15	1,122	620
Shareholders' funds	16	<u>19,562</u>	<u>19,060</u>
Equity interests		4,562	3,810
Non-equity interests		<u>15,000</u>	<u>15,250</u>
		<u>19,562</u>	<u>19,060</u>

The notes on pages 12 to 26 form part of these accounts.

The financial statements on pages 7 to 26 were approved by the Board of Directors on 31 May 2005 and signed on its behalf by:


D R S Lamond
Director

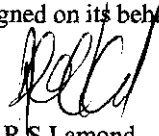
Haydock Finance Limited

Company Balance Sheet as at 28 February 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	8	2,605	2,892
Investments	9	<u>19</u>	<u>19</u>
		2,624	2,911
Current assets			
Finance lease and instalment credit receivables			
<i>Amounts falling due:</i>			
Within one year	10	48,317	46,971
After more than one year	10	67,211	66,315
Debtors	10	5,535	5,491
Cash at bank and in hand		<u>1,000</u>	<u>-</u>
		122,063	118,777
Creditors : Amounts falling due within one year	11	<u>(6,823)</u>	<u>(7,107)</u>
Net current assets		<u>115,240</u>	<u>111,670</u>
Total assets less current liabilities		117,864	114,581
Creditors : Amounts falling due after more than one year	12	(98,516)	(95,464)
Provisions for liabilities and charges			
Deferred taxation	13	<u>-</u>	<u>-</u>
		19,348	19,117
Capital and reserves			
Called up share capital	14	17,112	17,362
Share premium account	15	200	200
Capital redemption reserve	15	1,000	750
Profit and loss account	15	<u>1,036</u>	<u>805</u>
Shareholders' funds	16	<u>19,348</u>	<u>19,117</u>
Equity interests		4,348	3,867
Non-equity interests		<u>15,000</u>	<u>15,250</u>
		19,348	19,117

The notes on pages 12 to 26 form part of these accounts.

The financial statements on pages 7 to 26 were approved by the Board of Directors on 31 May 2005 and signed on its behalf by:


D R S Lamond
Director

Haydock Finance Limited

**Group Cash Flow Statement
for the year ended 28 February 2005**

	2005 £'000	2004 £'000
Net cash inflow from operating activities	7,832	15,479
Returns on investments and servicing of finance		
Dividends paid on preference shares	(754)	(796)
Interest paid	(6,517)	(5,504)
Net cash outflow from returns on investments and servicing of finance	<u>(7,271)</u>	<u>(6,300)</u>
Taxation	(1,993)	(468)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(96)	(37)
Receipts from sale of tangible fixed assets	614	1,217
Net cash inflow from investing activities	<u>518</u>	<u>1,180</u>
Acquisitions and disposals		
Disposal	-	-
Net cash inflow from acquisitions and disposals	<u>-</u>	<u>-</u>
Equity dividends paid	<u>-</u>	<u>-</u>
Net cash (outflow) / inflow before financing	(914)	9,891
Financing		
Cash inflow/(outflow) from increase/(decrease) in debt financing	2,250	(10,200)
Redemption of 'C' redeemable preference share capital	(250)	(750)
Net cash inflow/(outflow) from financing	<u>2,000</u>	<u>(10,950)</u>
Increase / (decrease) in cash in the year	<u>1,086</u>	<u>(1,059)</u>

Haydock Finance Limited

**Notes to the Cash Flow Statement
for the year ended 28 February 2005**

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

	2005 £'000	2004 £'000
Operating profit	2,381	2,034
Net interest payable	5,850	5,194
Depreciation of tangible assets	594	1,229
Goodwill amortisation	-	531
(Profit) / loss on disposal of tangible assets	(12)	(77)
(Increase)/decrease in debtors	(263)	555
Increase in creditors	1,075	1,071
Increase in general and specific bad debt provisions	2,662	1,298
Capital advanced on instalment credit & finance leases agreements	(78,545)	(80,544)
Capital reduction on instalment credit & finance leases agreements	74,090	84,188
Net cash inflow from operating activities	<u>7,832</u>	<u>15,479</u>

2. Analysis of net funds / (debt)

	1 March 2004 £'000	Cash flow £'000	28 February 2005 £'000
Net cash:			
Cash at bank and in hand	-	1,000	1,000
Bank overdraft	<u>(305)</u>	<u>86</u>	<u>(219)</u>
	<u>(305)</u>	<u>1,086</u>	<u>781</u>
Debt:			
Debts falling due within one year	-	-	-
Debts falling due after one year	<u>(93,800)</u>	<u>(2,250)</u>	<u>(96,050)</u>
	<u>(93,800)</u>	<u>(2,250)</u>	<u>(96,050)</u>
Net debt	<u>(94,105)</u>	<u>(1,164)</u>	<u>(95,269)</u>

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

	2005 £'000	2004 £'000
Increase / (decrease) in cash in the year	1,086	(1,059)
Cash (outflow) / inflow from (decrease) / increase in debt	(2,250)	10,200
Movement in net debt in the year	<u>(1,164)</u>	<u>9,141</u>
Opening net debt	(94,105)	(103,246)
Closing net debt	<u>(95,269)</u>	<u>(94,105)</u>

Haydock Finance Limited**Notes to the accounts
for the year ended 28 February 2005****1. Accounting Policies****1.1 Change in accounting policy**

The directors have reconsidered the accounting classification of an investment property, further details of which are given in note 8. This change in classification has given rise to a change in accounting policy in order to comply with the requirements of SSAP 19. The effects of this change in policy are immaterial to the financial statements.

1.2 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties, 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.

1.3 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.

1.4 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.

1.5 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

Fees, commission income and motor vehicle sales 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 2005****1. Accounting Policies (continued)****1.5 Income recognition (continued)*****Loans and similar advances***

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

1.6 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.

Investment Property

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of the freehold investment property. The departure from the requirements of the Companies Act 1985, for all properties to be depreciated, is in the opinion of the directors necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards, as the investment property is included in the financial statements at its open market value.

It is the policy of the directors to have the property re-valued every 5 years by a qualified valuer. The first such valuation will be in 2008.

1.7 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.

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005**

1. Accounting Policies (continued)

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 2005 (continued)**

2. Revenue and Operating Profit / (Loss)

	2005 Total £'000	2004 Total £'000
Continuing Operations		
Revenue	16,467	16,611
Cost of sales	(397)	(1,523)
Other operating income	2,150	2,329
Administrative expenses	(9,989)	(10,189)
Interest payable (note 4)	(5,850)	(5,194)
Operating profit	<u>2,381</u>	<u>2,034</u>

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated:

After charging:

	2005 £'000	2004 £'000
Commission charges	2,118	2,383
Depreciation of tangible assets	594	1,229
Goodwill amortisation	-	531
Auditors' remuneration	18	23
Remuneration of auditors for non-audit work	9	25

And after crediting:

Instalment credit repayments	69,927	63,647
Finance lease rentals	28,936	19,934
Operating lease rentals	577	1,092
Property rental income	106	106
Profit on disposal of tangible fixed assets	<u>7</u>	<u>77</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

4. Net Interest Payable

	2005 £'000	2004 £'000
Interest payable to Bank of Scotland	5,277	4,259
Other interest	573	935
	<u>5,850</u>	<u>5,194</u>

5. Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Current year taxation		
Corporation tax at 30%	1,519	1,776
Deferred taxation	<u>(739)</u>	<u>(1,025)</u>
	780	751
Adjustment to prior years		
Corporation tax	109	(459)
Deferred taxation	<u>(14)</u>	<u>437</u>
	875	729

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

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	<u>2,381</u>	<u>2,034</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the U.K. of 30% (2004: 30%)	715	610
Expenses not deductible for tax purposes	52	140
Depreciation in excess of capital allowances	326	709
Deferred commissions	(93)	32
General bad debt provision	534	285
Adjustments in respect of prior periods	109	(459)
Subsidiary profits taxed at small companies rate	<u>(15)</u>	<u>-</u>
Corporation tax charge for the year	<u>1,628</u>	<u>1,317</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

6. Dividends

	2005 £'000	2004 £'000
Fixed rate preference dividends paid	<u>754</u>	<u>796</u>

7. Retained profit for the year

	2005 £'000	2004 £'000
Dealt with in the accounts of the parent company	481	379
Retained by subsidiary undertakings	<u>271</u>	<u>130</u>
	<u>752</u>	<u>509</u>

Haydock Finance Limited

Notes to the accounts for the year ended 28 February 2005 (continued)

8. Tangible assets

<i>Group</i>	Land & Buildings		Motor	Operatin	Total
	Investment	Other	Vehicles &	Leas	
	Property	Properties	Office	Assets	
	£'000	£'000	Equipment	£'000	£'000
Cost or Valuation					
At 1 March 2004	-	2,826	1,696	2,758	7,280
Reclassification	1,000	(1,000)	-	-	-
Additions	-	-	96	-	96
Disposals	-	-	(658)	(1,524)	(2,182)
At 28 February 2005	1,000	1,826	1,134	1,234	5,194
Depreciation					
At 1 March 2004	-	123	1,506	1,362	2,991
Released on re-classification	-	(9)	-	-	(9)
Charge for the year	-	226	154	223	603
Disposals	-	-	(646)	(934)	(1,580)
At 28 February 2005	-	340	1,014	651	2,005
Net book values					
At 28 February 2005	1,000	1,486	120	583	3,189
At 29 February 2004	-	2,703	190	1,396	4,289

<i>Company</i>	Land & Buildings		Motor	Operatin	Total
	Investment	Other	Vehicles &	Leas	
	Property	Properties	Office	Assets	
	£'000	£'000	Equipment	£'000	£'000
Cost or Valuation					
At 1 March 2004	-	2,794	1,696	-	4,490
Reclassification	1,000	(1,000)	-	-	-
Additions	-	-	96	-	96
Disposals	-	-	(658)	-	(658)
At 28 February 2005	1,000	1,794	1,134	-	3,928
Depreciation					
At 1 March 2004	-	92	1,506	-	1,598
Released on re-classification	-	(9)	-	-	(9)
Charge for the year	-	226	154	-	380
Disposals	-	-	(646)	-	(646)
At 28 February 2005	-	309	1,014	-	1,323
Net book values					
At 28 February 2005	1,000	1,485	120	-	2,605
At 29 February 2004	-	2,702	190	-	2,892

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

8. Tangible assets (continued)

The directors have reconsidered the classification in the financial statements of a property which until 31 January 2003 had been leased to a subsidiary company, and since when has been leased to a related party. This property is more properly classified as an investment property and falls within the scope of SSAP 19.

The directors are of the opinion the open market value of the property is £1million, and the reclassification has been made at that value with effect from 1 March 2004. At the year end the carrying value of the property on a historical cost basis was £996,000.

Included within the depreciation charge for the year for other properties was £200,000 by way of an impairment loss provision.

The net book value at the year end of other properties comprised £932,000 (2004: £1,136,000) of freehold property and £553,000 (2004: £566,000) of long leasehold property.

9. Fixed Asset Investments

	Company £'000
Shares in group undertakings	
Valuation	
At 1 March 2004	19
Amount written off	-
At 28 February 2005	<u>19</u>

The historical cost of investments in group undertakings is £1,506,000 (2004 - £1,506,000).

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	Dormant	Ordinary	100
Junction 4 (Blackburn) Limited	Dormant	Ordinary Preference	100 100
Europa Vehicle Management Limited	Dormant	Ordinary	100
HF (No 2) Limited	Dormant	Ordinary	100
Haydock Asset Finance 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 2005 (continued)**

10. Finance lease and instalment credit receivables and debtors

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
<i>Finance lease and instalment credit receivables</i>				
Finance leases	52,584	45,733	52,584	45,733
Less: unearned interest	(9,908)	(8,379)	(9,908)	(8,379)
	<u>42,676</u>	<u>37,354</u>	<u>42,676</u>	<u>37,354</u>
Instalment credit receivables	76,217	82,684	76,217	82,684
Less: unearned interest	(13,674)	(13,735)	(13,674)	(13,735)
	<u>62,543</u>	<u>68,949</u>	<u>62,543</u>	<u>68,949</u>
Loans	10,309	6,983	10,309	6,983
Total trade debtors	<u>115,528</u>	<u>113,286</u>	<u>115,528</u>	<u>113,286</u>
Amounts falling due within one year	48,317	46,971	48,317	46,971
Amounts falling due after more than one year	67,211	66,315	67,211	66,315
	<u>115,528</u>	<u>113,286</u>	<u>115,528</u>	<u>113,286</u>

The cost of assets acquired during the year for the purposes of instalment credit and finance lease agreements was £82.4m (2004: £76.3m).

Debtors

Other debtors and prepayments	681	725	640	587
Amounts due from subsidiary undertakings	-	-	338	1,393
Deferred commissions	2,273	1,966	2,273	2,013
Deferred tax (note 13)	2,371	1,618	2,284	1,498
	<u>5,325</u>	<u>4,309</u>	<u>5,535</u>	<u>5,491</u>

In respect of the group, debtors include deferred commissions of £0.93m (2004: £0.81m) which fall due after more than one year.

In respect of the company, debtors include deferred commissions of £0.93m (2004: £0.81m) which fall due after more than one year. Amounts due to the company from subsidiary undertakings include £0.07m which are recoverable after more than one year (2004: £0.56m).

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

11. Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank loans and overdraft	219	305	219	305
Trade creditors	386	301	386	301
Corporation tax	760	1,125	718	1,096
Other taxation and social security	80	61	80	61
Accruals and deferred income	5,519	5,568	5,420	5,344
	<u>6,964</u>	<u>7,360</u>	<u>6,823</u>	<u>7,107</u>

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

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Amount due to Bank of Scotland	96,050	93,800	96,050	93,800
Deferred income	2,466	1,664	2,466	1,664
	<u>98,516</u>	<u>95,464</u>	<u>98,516</u>	<u>95,464</u>

The amount due to Bank of Scotland falls within the terms of a £120 million revolving credit facility and interest is payable at various rates agreed at the time of draw-down of portions of the debt. In connection with the arrangements that led to the change in control of the company as described in note 22, the review date of the revolving credit facility was extended from 28 February 2006 to 28 February 2013.

The group has entered into interest rate swaps which fix the rates of interest between 4.85% and 6.43% on notional capital balances of £103 million (2004: £42 million). These agreements mature at varying times between 2005 and 2008.

The company and its trading subsidiary undertaking 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 2005 (continued)**

13. Deferred Taxation

	Group £'000	Company £'000
At 1 March 2004	(1,618)	(1,498)
Credited in the year to profit and loss account	(739)	(770)
Prior year adjustments	(14)	(16)
At 28 February 2005	<u>(2,371)</u>	<u>(2,284)</u>

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

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Short term timing differences	(832)	(353)	(832)	(353)
Excess depreciation over capital allowances on:				
Own assets	(262)	(275)	(175)	(155)
Leased assets	<u>(1,277)</u>	<u>(990)</u>	<u>(1,277)</u>	<u>(990)</u>
	<u>(2,371)</u>	<u>(1,618)</u>	<u>(2,284)</u>	<u>(1,498)</u>

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

14. Share Capital

	2005 £'000	2004 £'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
9,000,000 'C' Redeemable Preference shares of £1 each	9,000	9,250
2,000,000 Deferred shares of £1 each	<u>-</u>	<u>-</u>
	<u>17,112</u>	<u>17,362</u>

In June 2004, the company redeemed 250,000 "C" Redeemable Preference Shares of £1 each at par as permitted under the Articles of Association. The payment was made out of distributable reserves.

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

14. 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 had 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 could be granted under the scheme was 17.75% of the issued ordinary share capital at any time. At 28 February 2005, there were in issue 260,000 options to subscribe for ordinary shares. The aggregate exercise price of these options was £480,000. Under the scheme, options were normally exercisable before the expiry of 10 years from the date of grant. As a consequence of the arrangements that led to the change in control of the company as described in note 22, all of the options outstanding at the year-end were surrendered and cancelled.

15. Statement of movements on reserves

	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserve £'000	Profit & Loss Account £'000
<i>Group</i>				
At 1 March 2004	200	750	128	620
Profit retained for year	-	-	-	752
Redemption in part of "C" Redeemable Preference Shares	-	250	-	(250)
At 28 February 2005	<u>200</u>	<u>1,000</u>	<u>128</u>	<u>1,122</u>
<i>Company</i>				
At 1 March 2004	200	750	-	805
Profit retained for year	-	-	-	481
Redemption in part of "C" Redeemable Preference Shares	-	250	-	(250)
At 28 February 2005	<u>200</u>	<u>1,000</u>	<u>-</u>	<u>1,036</u>

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

16. Reconciliation of movement in shareholders' funds

	Group £'000	Company £'000
Profit for the financial year	1,506	1,235
Dividends	(754)	(754)
Profit retained for the financial year	752	481
Redemption of "C" Redeemable Preference Shares	(250)	(250)
Opening shareholders' funds at 1 March 2004	19,060	19,117
Closing shareholders' funds at 28 February 2005	19,562	19,348

17. Directors

	2005 £'000	2004 £'000
Fees	24	24
Emoluments for qualifying services	418	318
Company contributions paid to defined contribution schemes	47	47
Compensation for loss of office	30	-
	519	389

The number of directors for whom retirement benefits were accruing under defined contribution schemes amounted to 4 (2004 - 3)

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

	£'000	£'000
Emoluments for qualifying services	158	138
Company contributions paid to defined contribution scheme	18	25

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

18. Employees

Number of employees

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

	2005 Number	2004 Number
Sales	24	21
Administration	60	55
	<u>84</u>	<u>76</u>

Staff costs include the following:

	2005 £'000	2004 £'000
Wages and salaries	2,649	2,250
Social security costs	298	255
Other pension costs	118	113
	<u>3,065</u>	<u>2,618</u>

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 year totalled £118,000 (2004: £113,000). There were no unpaid contributions at the year-end (2004: £nil).

20. Related Party Transactions

Bank of Scotland

The Bank of Scotland owned 47% of the equity shares in the company at the year end, and is the provider of the group's main debt funding, having made available a revolving credit facility of £120 million. At the year-end, the amount due to Bank of Scotland was £96.0m (2004: £93.8m) and is included within creditors due after more than one year. Interest charged by Bank of Scotland in the year was £5.28m (2004: £4.26m) of which £0.92m (2004: £1.50m) was included within accruals and deferred income at the year-end.

Ignition Car Supermarkets Limited ("ICS")

J H Wilkinson is a director and shareholder of ICS. The company leases property to ICS on a 15 year lease ending 2018, which is also subject to 5 year rent reviews where the rent can only be adjusted upwards. Rental income earned by the group in the year was £106,000 (2004: £106,000) and is considered by the directors to be market rate. There was no amount outstanding at the year-end (2004: £nil)

Also during the year, the group sold repossessed and end of contract vehicles to ICS for £252,000 (2004: £191,000), and bought vehicles and other services from it for £575,000 (2004: £301,000). Vehicles purchased from ICS were for the purposes of arranging instalment credit agreements for customers. The net amount due from ICS at the year end in respect of these transactions, which were conducted on normal commercial terms, was £68,000 (2004: £47,000).

Haydock Finance Limited

**Notes to the accounts
for the year ended 28 February 2005 (continued)**

20. Related Party Transactions (continued)

The amount outstanding at the year end under a finance lease entered into between the company and ICS was £90,000 (2004: £123,000).

21. Operating lease commitments

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Operating leases in respect of land and buildings:				
Lease expiring within 2 to 5 years	-	-	-	-
Lease expiring after 5 years	11	11	11	11
Other operating leases	1	1	1	1

22. Change in Control

On 15 March 2005 Haydock Finance Holdings Limited acquired the entire issued share capital of the company for an aggregate consideration of £18.8 million.

Haydock Finance Holdings Limited is controlled by J H Wilkinson, a director of the company, and his family interests and together they have 94% of the voting rights of that company.

The company and its trading subsidiary undertaking, Ignition Vehicle Management Limited, has provided to Bank of Scotland a cross-company guarantee in respect of a £15.8 million term loan repayable in 2018. This loan was made in order to partly fund the purchase of the company's share capital by Haydock Finance Holdings Limited.