

ADVANTAGE FINANCE LIMITED

Report and Financial Statements

31 January 2003



REPORT AND FINANCIAL STATEMENTS 2003

| CONTENTS | Page |
|---|-------------|
| Officers and professional advisers | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities | 4 |
| Independent auditors' report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 |
| Additional information | 15 |

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Coombs
A M V Coombs
G D C Coombs
J G Thompson
M G Sizer
C H Redford
K Charlton

SECRETARY

E D Maiden

REGISTERED OFFICE

Royal House
Princes Gate
Homer Road
Solihull
West Midlands
B91 3QQ

BANKERS

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

SOLICITORS

Hammonds
Rutland House
148 Edmund Street
Birmingham
B3 2JR

AUDITORS

Deloitte & Touche
Chartered Accountants
Birmingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 2003.

ACTIVITIES

The company's principal activity during the year is the provision of hire purchase car finance.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

In the competitive used car finance market, Advantage Finance is increasingly successful and 2002/3 was a year in which profits and cash receipts continued to grow sensibly and steadily in line with our strategy for this business. On turnover up 14%, pre tax profits grew by 16% to nearly £1.3m, whilst borrowings grew by less than £0.75m.

Prospects for the longer term are healthy and the directors are confident of further significant profit growth.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year after taxation are set out in the profit and loss account on page 6. Interim dividends paid amounted to £482,400 (2002 - £330,400). The directors do not propose to pay a final dividend. Retained profits of £412,190 (2002 - £442,718) were transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

D M Coombs
A M V Coombs
G D C Coombs
C H Redford
J G Thompson
M G Sizer
K Charlton

The directors retiring by rotation are Messieurs M G Sizer and J G Thompson whom, being eligible, offer themselves for re-election.

Messrs D M Coombs, A M V Coombs and G D C Coombs are also directors of S & U plc, and their interests in the shares of group companies are disclosed in the directors' report of that company. No other director had any interest in the shares of the company or other group companies.

CREDITOR PAYMENT POLICY

The group and the company do not follow any published code of practice but agrees terms and conditions with its suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier.

Trade creditor days for the company were 30 days (2002 - 29 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amount due, at the year end, to trade creditors within one year.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



E D MAIDEN

Secretary

09.06.03.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ADVANTAGE FINANCE LIMITED**

We have audited the financial statements of Advantage Finance Limited for the year ended 31 January 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under 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 an 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Birmingham

12 June 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 January 2003

| | Note | 2003 | 2002 |
|--|------|--------------------|--------------------|
| | | £ | £ |
| TURNOVER | 2 | 6,675,687 | 5,861,223 |
| Cost of sales | | (1,352,628) | (1,381,777) |
| Gross profit | | <u>5,323,059</u> | <u>4,479,446</u> |
| Administrative expenses | | (1,118,692) | (944,171) |
| Provision for doubtful debt | | (2,088,980) | (1,552,838) |
| Total administrative expenses | | <u>(3,207,672)</u> | <u>(2,497,009)</u> |
| OPERATING PROFIT | 4 | 2,115,387 | 1,982,437 |
| Net interest payable | 5 | <u>(830,781)</u> | <u>(877,716)</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,284,606 | 1,104,721 |
| Tax charge on profit on ordinary activities | 6 | <u>(390,016)</u> | <u>(331,603)</u> |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 894,590 | 773,118 |
| Dividends | 7 | <u>(482,400)</u> | <u>(330,400)</u> |
| RETAINED PROFIT FOR THE YEAR | 14 | <u>412,190</u> | <u>442,718</u> |

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial years. Accordingly, no statement of total recognised gains and losses is given.

BALANCE SHEET
31 January 2003

| | Note | £ | 2003 £ | £ | 2002 £ |
|---|------|---------------------|------------------|---------------------|----------------|
| FIXED ASSETS | | | | | |
| Tangible assets | 8 | | 235,727 | | 268,809 |
| Investments | 9 | | <u>1</u> | | <u>1</u> |
| | | | 235,728 | | 268,810 |
| CURRENT ASSETS | | | | | |
| Amounts receivable from customers (including £12,281,040 (2002 - £12,081,355) falling due after more than one year) | | | | | |
| | 10 | 19,024,029 | | 17,998,439 | |
| Debtors | 11 | 170,296 | | 49,034 | |
| Cash at bank and in hand | | <u>600</u> | | <u>245</u> | |
| | | 19,194,925 | | 18,047,718 | |
| CREDITORS: amounts falling due within one year | 12 | <u>(18,210,404)</u> | | <u>(17,508,469)</u> | |
| NET CURRENT ASSETS | | | <u>984,521</u> | | <u>539,249</u> |
| | | | <u>1,220,249</u> | | <u>808,059</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 13 | | 1,000 | | 1,000 |
| Profit and loss account | 14 | | <u>1,219,249</u> | | <u>807,059</u> |
| EQUITY SHAREHOLDERS' FUNDS | 15 | | <u>1,220,249</u> | | <u>808,059</u> |

These financial statements were approved by the Board of Directors

Signed on behalf of the Board of Directors



A M V Coombs

Director

09.06.03.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is exclusive of value added tax and comprises:

- | | |
|----------------------------|--|
| • Hire purchase agreements | Interest received or receivable. |
| • Insurance | Net commissions received and receivable on premiums paid by customers. |
| • Acceptance fees | Amounts received and receivable |

Tangible fixed assets

Depreciation is provided on the cost of tangible fixed assets in order to write off such cost over the expected useful lives as follows:

| | |
|------------------------------|--------------------------------------|
| Leasehold buildings | 20% per annum straight line |
| Computers | 20% per annum straight line |
| Fixtures, fittings and plant | 20% per annum straight line |
| Motor vehicles | 25% per annum reducing balance basis |

Debtors

Bad debts are written off and a specific reserve is made on all debts which are considered doubtful.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company for the financial period.

Leases

Rental costs under operating leases are charged to the profit and loss account when incurred.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

2. TURNOVER

Turnover derives from the company's principal activity and arises wholly within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2003 £ | 2002 £ |
|------------------------------|----------------|----------------|
| Directors' emoluments | | |
| Remuneration | 323,496 | 242,423 |
| Pension contributions | 18,225 | 15,150 |
| | <u>341,721</u> | <u>257,573</u> |

The emoluments of the highest paid director are £105,784 for the year (2002: £103,000), and the company paid pension contributions on his behalf of £6,750 (2002: £6,375).

| | No | No |
|--|------------------|------------------|
| Number of directors who are members of a defined contribution pension scheme | <u>4</u> | <u>3</u> |
| Average number of persons employed | | |
| Management and administration | <u>57</u> | <u>50</u> |
| | £ | £ |
| Staff costs during the year (including directors) | | |
| Wages and salaries | 1,176,619 | 1,103,533 |
| Social security costs | 124,122 | 113,274 |
| Other pension costs | 71,623 | 60,337 |
| | <u>1,372,364</u> | <u>1,277,144</u> |

4. OPERATING PROFIT

| | 2003 £ | 2002 £ |
|--|--------------|---------------|
| Operating profit is after charging: | | |
| Depreciation: | | |
| Owned assets | 91,185 | 100,852 |
| Profit on sale of fixed assets | 1,855 | 686 |
| Rentals under operating leases: | | |
| Other operating leases | 68,488 | 57,052 |
| Auditors' remuneration: | | |
| Audit fees | <u>9,000</u> | <u>11,000</u> |

5. NET INTEREST PAYABLE

| | 2003 £ | 2002 £ |
|-----------------------|----------------|----------------|
| Bank interest payable | <u>830,781</u> | <u>877,716</u> |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 January 2003**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

| | 2003 £ | 2002 £ |
|--|----------------|----------------|
| UK corporation tax at 30% | 392,000 | 237,000 |
| Adjustment in respect of prior years | (109) | - |
| | <u>391,891</u> | <u>237,000</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | (1,763) | 96,851 |
| Adjustment in respect of prior years | (112) | (2248) |
| | <u>390,016</u> | <u>331,603</u> |

The amounts provided in the accounts and the full potential amounts are as follows:

| | 31 January 2003 Provided £ | 31 January 2002 Provided £ |
|--------------------------------|-------------------------------------|-------------------------------------|
| Deferred tax asset | | |
| Accelerated capital allowances | (9167) | (7,310) |
| Other short term differences | - (1,699) | (1,681) |
| | <u>(10,866)</u> | <u>(8,991)</u> |

| Movement on deferred taxation balance in the period | £000 |
|--|-----------------|
| Opening balance | (8,991) |
| Credit to profit and loss account | (1,875) |
| Closing balance | <u>(10,866)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year exceeds the standard rate for the reasons set out in the following reconciliation.

| | 2003 £ | 2002 £ |
|---|----------------|----------------|
| Profit on ordinary activities before tax | 1,284,606 | 1,104,721 |
| Tax on profit on ordinary activities at standard rate | 385,383 | 331,416 |
| <i>Factors affecting charge for the period:</i> | | |
| Expenses not deductible for tax purposes | 4,083 | 1,384 |
| Non-qualifying depreciation | 1,745 | 6,987 |
| Other permanent differences | 772 | 1,051 |
| Other timing differences | 18 | (103,838) |
| Prior period adjustments | (109) | - |
| Total actual amount of current tax | <u>391,891</u> | <u>237,000</u> |

7. DIVIDENDS

| | 2003 £ | 2002 £ |
|--|----------------|----------------|
| Equity dividends paid - £482.40 per share (2002 - £330.40) | <u>482,400</u> | <u>330,400</u> |

8. TANGIBLE FIXED ASSETS

| | Leasehold buildings £ | Motor vehicles £ | Fixtures, fittings and computers £ | Total £ |
|---------------------------------|-----------------------------|------------------------|---|----------------|
| Cost | | | | |
| At 1 February 2002 | 21,853 | 278,294 | 170,679 | 470,826 |
| Additions | 1,993 | 59,856 | 22,586 | 84,435 |
| Disposals | - | (66,714) | - | (66,714) |
| At 31 January 2003 | <u>23,846</u> | <u>271,436</u> | <u>193,265</u> | <u>488,547</u> |
| Accumulated depreciation | | | | |
| At 1 February 2002 | 4,329 | 135,042 | 62,646 | 202,017 |
| Charge for the year | 4,769 | 49,601 | 36,815 | 91,185 |
| Disposals | - | (40,382) | - | (40,382) |
| At 31 January 2003 | <u>9,098</u> | <u>144,261</u> | <u>99,461</u> | <u>252,820</u> |
| Net book value | | | | |
| At 31 January 2003 | <u>14,748</u> | <u>127,175</u> | <u>93,804</u> | <u>235,727</u> |
| At 31 January 2002 | <u>17,524</u> | <u>143,252</u> | <u>108,033</u> | <u>268,809</u> |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 January 2003**9. INVESTMENTS****Shares in subsidiary companies**

At 1 February 2002 and 31 January 2003

1 ordinary share of £1

£

1**Interests in subsidiaries**

The principal subsidiary of the company, which is wholly owned directly by the company, operates in Great Britain and is incorporated in England and Wales.

Subsidiary**Principal activity**

Advantage Motor Finance Limited

Car finance

The company has not prepared consolidated accounts as it is a wholly-owned subsidiary of S&U PLC, a company registered in England and Wales, and the ultimate parent company which prepares consolidated financial statements.

10. AMOUNTS RECEIVABLE FROM CUSTOMERS

| | 2003 £ | 2002 £ |
|---|--------------------|--------------------|
| Gross amounts receivable from customers | 21,625,151 | 19,875,403 |
| Less: Provision for doubtful debt | <u>(2,601,122)</u> | <u>(1,876,964)</u> |
| | <u>19,024,029</u> | <u>17,998,439</u> |
| Amounts receivable falling due after one year included above | <u>12,281,040</u> | <u>12,081,355</u> |
| Amounts receivable under finance leases and hire purchase agreements included above | <u>19,024,029</u> | <u>17,993,286</u> |
| Cost of assets acquired during the period to be leased Under finance leases or hire purchase agreements | <u>10,581,120</u> | <u>10,162,515</u> |
| Rentals received during the period in respect of finance leases and hire purchase agreements | <u>10,388,792</u> | <u>8,398,810</u> |

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 January 2003**11. DEBTORS**

| | 2003 £ | 2002 £ |
|--------------------------------|----------------|---------------|
| Deferred tax asset | 10,866 | 8,991 |
| Other debtors | 101,672 | 1,410 |
| Prepayments and accrued income | 57,758 | 38,633 |
| | <u>170,296</u> | <u>49,034</u> |

All the above amounts fall due within one year.

The deferred tax asset has been recognised in accordance with Financial Reporting Standard 19 on the grounds that sufficient future taxable profits will arise for the asset to be recovered. The directors consider this justified on the basis of the strong growth in profitability of Advantage Finance Limited in recent accounting periods and have no reason to believe that profits will not arise in the future.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2003 £ | 2002 £ |
|------------------------------------|-------------------|-------------------|
| Bank overdraft (unsecured) | 2,300,522 | 1,518,539 |
| Trade creditors | 149,850 | 125,588 |
| Amounts due to parent company | 15,008,296 | 15,108,596 |
| Corporation tax payable | 173,673 | 238,381 |
| Other taxation and social security | 47,092 | 48,012 |
| Other creditors | 56,938 | 84,708 |
| Accruals and deferred income | 474,033 | 384,645 |
| | <u>18,210,404</u> | <u>17,508,469</u> |

13. CALLED UP SHARE CAPITAL

| | 2003 £ | 2002 £ |
|--|--------------|--------------|
| Authorised, called up, allotted and fully paid 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |

14. PROFIT AND LOSS ACCOUNT

| | 2003 £ | 2002 £ |
|------------------------------|------------------|----------------|
| Balance at 1 February | 807,059 | 364,341 |
| Retained profit for the year | 412,190 | 442,718 |
| Balance at 31 January | <u>1,219,249</u> | <u>807,059</u> |

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 January 2003****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | 2003 £ | 2002 £ |
|-------------------------------------|------------------|----------------|
| Profit for the financial year | 894,590 | 773,118 |
| Dividends | (482,400) | (330,400) |
| Net addition to shareholders' funds | 412,190 | 442,718 |
| Opening shareholders' funds | 808,059 | 365,341 |
| | <u>1,220,249</u> | <u>808,059</u> |

16. FINANCIAL COMMITMENTS

At 31 January 2003, the company had no capital commitments.

Operating lease commitments

At 31 January 2003, the company was committed to making the following payments during the next year in respect of operating leases on property:

| | 2003 £ | 2002 £ |
|------------------|-----------|-----------|
| Leases expiring: | | |
| After 5 years | 44,062 | 20,750 |

17. CONTINGENT LIABILITIES

The company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain other group companies. The maximum exposure under this arrangement at 31 January 2003 was £21,488,118 (2002 - £21,718,610).

18. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No 8 "Related Party Transactions", transactions with other group undertakings within and investee related parties of S&U plc have not been disclosed in these financial statements.

Clee Computer Systems is considered to be a related party due to directors' interests in the business. The total value of purchases in the year from Clee Computer Systems is £7,913 (2002 - £14,278). The year end balance is £ Nil (2002 - £Nil).

19. PENSION COMMITMENTS

The company has no commitments for pensions that have not been fully funded outside the company.

20. ULTIMATE PARENT COMPANY

The company's ultimate parent company and controlling party is S & U PLC, a company incorporated in England. Copies of the group accounts of S & U PLC may be obtained from its registered office at Royal House, Prince's Gate, Solihull, West Midlands B91 3QQ.