

**ADVANTAGE FINANCE LIMITED**

**Report and Financial Statements**

**31 January 2004**



# **ADVANTAGE FINANCE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

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# **ADVANTAGE FINANCE LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2004**

### **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**

C H Redford

#### **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 LLP  
Chartered Accountants  
Birmingham

# **ADVANTAGE FINANCE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 January 2004.

### **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 2003/04 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 13%, pre tax profits grew by 21% to over £1.56m, whilst borrowings grew by £1.8m.

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 £572,000 (2003 - £482,400). The directors do not propose to pay a final dividend. Retained profits of £518,507 (2003 - £412,190) 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 Messers G D C Coombs and C H Redford whom, being eligible, offer themselves for re-election.

Messrs D M Coombs, A M V Coombs, G D C Coombs and C H Redford 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 31 days (2003 - 30 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.

# **ADVANTAGE FINANCE LIMITED**

## **DIRECTORS' REPORT**

### **AUDITORS**

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



17.8.04

C H REDFORD

Secretary

## **ADVANTAGE FINANCE LIMITED**

### **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 2004 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Birmingham

*25 August 2004*

# ADVANTAGE FINANCE LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 January 2004

	Note	2004	2003
		£	£
<b>TURNOVER</b>	2	7,548,367	6,675,687
Cost of sales		<u>(1,736,524)</u>	<u>(1,352,628)</u>
Gross profit		<u>5,811,843</u>	<u>5,323,059</u>
Administrative expenses		(1,309,851)	(1,118,692)
Provision for doubtful debt		<u>(2,108,407)</u>	<u>(2,088,980)</u>
Total administrative expenses		<u>(3,418,258)</u>	<u>(3,207,672)</u>
<b>OPERATING PROFIT</b>	4	2,393,585	2,115,387
Net interest payable	5	<u>(833,134)</u>	<u>(830,781)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,560,451	1,284,606
Tax charge on profit on ordinary activities	6	<u>(469,944)</u>	<u>(390,016)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		1,090,507	894,590
Dividends	7	<u>(572,000)</u>	<u>(482,400)</u>
<b>RETAINED PROFIT FOR THE YEAR</b>	14	<u><u>518,507</u></u>	<u><u>412,190</u></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.



# ADVANTAGE FINANCE LIMITED

## BALANCE SHEET 31 January 2004

	Note	£	2004 £	£	2003 £
<b>FIXED ASSETS</b>					
Tangible assets	8		240,231		235,727
Investments	9		<u>1</u>		<u>1</u>
			240,232		235,728
<b>CURRENT ASSETS</b>					
Amounts receivable from customers (including £14,027,268 (2003 - £12,281,040) falling due after more than one year)	10	21,623,866		19,024,029	
Debtors	11	148,228		170,296	
Cash at bank and in hand		<u>380</u>		<u>600</u>	
		21,772,474		19,194,925	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(20,273,950)</u>		<u>(18,210,404)</u>	
<b>NET CURRENT ASSETS</b>			1,498,524		984,521
			<u>1,738,756</u>		<u>1,220,249</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>1,737,756</u>		<u>1,219,249</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	15		<u>1,738,756</u>		<u>1,220,249</u>

These financial statements were approved by the Board of Directors

17.8.04

Signed on behalf of the Board of Directors



A M V Coombs

Director

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 January 2004**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable United Kingdom 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.

# ADVANTAGE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2004

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004 £	2003 £
<b>Directors' emoluments</b>		
Remuneration	338,953	323,496
Pension contributions	18,665	18,225
	<u>357,618</u>	<u>341,721</u>

The emoluments of the highest paid director are £118,512 for the year (2003: £105,784), and the company paid pension contributions on his behalf of £6,750 (2003: £6,750).

	No	No
Number of directors who are members of a defined contribution pension scheme	<u>4</u>	<u>4</u>
<b>Average number of persons employed</b>		
Management and administration	<u>64</u>	<u>57</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	1,379,375	1,176,619
Social security costs	144,254	124,122
Other pension costs	79,423	71,623
	<u>1,603,052</u>	<u>1,372,364</u>

### 4. OPERATING PROFIT

	2004 £	2003 £
<b>Operating profit is after charging:</b>		
Depreciation:		
Owned assets	94,677	91,185
(Loss) / profit on sale of fixed assets	(1,209)	1,855
Rentals under operating leases:		
Other operating leases	56,282	68,488
Auditors' remuneration:		
Audit fees	<u>9,000</u>	<u>9,000</u>

### 5. NET INTEREST PAYABLE

	2004 £	2003 £
Bank interest payable	<u>833,134</u>	<u>830,781</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 January 2004**

**6. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004 £	2003 £
UK corporation tax at 30%	471,315	392,000
Adjustment in respect of prior years	(920)	(109)
Total Current Tax	470,395	391,891
Deferred taxation		
Origination and reversal of timing differences	(3)	(1,763)
Adjustment in respect of prior years	(448)	(112)
Tax on profit on ordinary activities	469,944	390,016

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

<b>Deferred tax asset</b>	2004 £	2003 £
Accelerated capital allowances	(9,361)	(9,167)
Other short term differences	(1,956)	(1,699)
	(11,317)	(10,866)

<b>Movement on deferred taxation balance in the period</b>	2004 £	2003 £
Opening balance	(10,866)	(8,991)
Credit to profit and loss account	(451)	(1,875)
Closing balance	(11,317)	(10,866)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 January 2004**

**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.

	2004 £	2003 £
Profit on ordinary activities before tax	1,560,451	1,284,606
Tax on profit on ordinary activities at standard rate	468,135	385,383
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	3,177	4,083
Non-qualifying depreciation	(254)	1,745
Other permanent differences	-	772
Other timing differences	257	18
Prior period adjustments	(920)	(109)
Total actual amount of current tax	<u>470,395</u>	<u>391,891</u>

**7. DIVIDENDS**

	2004 £	2003 £
Equity dividends paid - £572.00 per share (2003 - £482.40)	<u>572,000</u>	<u>482,400</u>

**8. TANGIBLE FIXED ASSETS**

	Leasehold buildings £	Motor vehicles £	Fixtures, fittings and computers £	Total £
<b>Cost</b>				
At 1 February 2003	23,846	271,436	193,265	488,547
Additions	-	108,269	47,294	155,563
Disposals	-	(146,663)	-	(146,663)
At 31 January 2004	<u>23,846</u>	<u>233,042</u>	<u>240,559</u>	<u>497,447</u>
<b>Accumulated depreciation</b>				
At 1 February 2003	9,098	144,261	99,461	252,820
Charge for the year	4,769	44,765	45,143	94,677
Disposals	-	(90,281)	-	(90,281)
At 31 January 2004	<u>13,867</u>	<u>98,745</u>	<u>144,604</u>	<u>257,216</u>
<b>Net book value</b>				
At 31 January 2004	<u>9,979</u>	<u>134,297</u>	<u>95,955</u>	<u>240,231</u>
At 31 January 2003	<u>14,748</u>	<u>127,175</u>	<u>93,804</u>	<u>235,727</u>

# ADVANTAGE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2004

### 9. INVESTMENTS

	£
<b>Shares in subsidiary companies</b>	
At 1 February 2003 and 31 January 2004	
1 ordinary share of £1	<u>1</u>

#### 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

	2004 £	2003 £
Gross amounts receivable from customers	25,451,079	21,625,151
Less: Provision for doubtful debt	(3,827,213)	(2,601,122)
	<u>21,623,866</u>	<u>19,024,029</u>
Amounts receivable falling due after one year included above	<u>14,027,268</u>	<u>12,281,040</u>
Amounts receivable under finance leases and hire purchase agreements included above	<u>21,623,866</u>	<u>19,024,029</u>
Cost of assets acquired during the period to be leased Under finance leases or hire purchase agreements	<u>13,412,761</u>	<u>10,581,120</u>
Rentals received during the period in respect of finance leases and hire purchase agreements	<u>11,464,783</u>	<u>10,388,792</u>

# ADVANTAGE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2004

### 11. DEBTORS

	2004 £	2003 £
Deferred tax asset	11,317	10,866
Other debtors	65,923	101,672
Prepayments and accrued income	70,988	57,758
	<u>148,228</u>	<u>170,296</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

	2004 £	2003 £
Bank overdraft (unsecured)	4,130,554	2,300,522
Trade creditors	176,551	149,850
Amounts due to parent company	14,996,331	15,008,296
Corporation tax payable	224,106	173,673
Other taxation and social security	50,396	47,092
Other creditors	132,244	56,938
Accruals and deferred income	563,768	474,033
	<u>20,273,950</u>	<u>18,210,404</u>

### 13. CALLED UP SHARE CAPITAL

	2004 £	2003 £
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

	2004 £	2003 £
Balance at 1 February	1,219,249	807,059
Retained profit for the year	518,507	412,190
Balance at 31 January	<u>1,737,756</u>	<u>1,219,249</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 January 2004**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	1,090,507	894,590
Dividends	(572,000)	(482,400)
Net addition to shareholders' funds	<u>518,507</u>	<u>412,190</u>
Opening shareholders' funds	<u>1,220,249</u>	<u>808,059</u>
	<u><u>1,738,756</u></u>	<u><u>1,220,249</u></u>

**16. FINANCIAL COMMITMENTS**

At 31 January 2004, the company had no capital commitments.

**Operating lease commitments**

At 31 January 2004, the company was committed to making the following payments during the next year in respect of operating leases on property:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Leases expiring:		
After 5 years	<u>44,062</u>	<u>44,062</u>

**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 2004 was £19,668,176 (2003 - £21,488,118).

**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 £0 (2003 - £7,913). The year end balance is £ Nil (2003 - £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.