

**PROGRESSIVE FINANCIAL SERVICES LIMITED**

**31 DECEMBER 2004**

**FINANCIAL STATEMENTS**

Registered Number: 133540



## **PROGRESSIVE FINANCIAL SERVICES LIMITED**

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**PROGRESSIVE FINANCIAL SERVICES LIMITED  
DIRECTORS' REPORT FOR THE YEAR ENDED  
31 DECEMBER 2004**

The directors submit their annual report together with the audited financial statements for the year ended 31 December 2004.

**1. Statement of directors' responsibilities**

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 year.

In preparing these financial statements, the directors confirm that suitable accounting policies have been used and applied consistently. The directors also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004, that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

**2. Principal activities and review of the business**

The company's principal activities continue to be the provision of consumer credit and motor finance services. The directors are satisfied with the result for the year and the company's future prospects.

**3. Results and dividends**

The profit for the year, after taxation, amounted to £68,065,899 (2003: £49,106,242). The directors recommend the payment of a final ordinary dividend of £27,000,000 (2003: £25,000,000) making a total ordinary dividend for the year of £27,000,000 (2003: £37,200,000). In addition, a dividend of £25,301,804 was paid on the "B" preference shares (2003: £10,136,918 on the "A" preference shares). Dividends of £4,474 (2003: £2,523), £7,884 (2003: £nil) and £6,897,966 (2003: £nil) were proposed during the year on the "A" preference shares, the "B" preference shares and the irredeemable preference shares respectively.

**PROGRESSIVE FINANCIAL SERVICES LIMITED  
DIRECTORS' REPORT FOR THE YEAR ENDED  
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**4. Directors and their interests**

The directors of the company during the year were:

S P Mahon  
M W G Collins  
J J Corr  
I S Cummine  
J Blake (resigned 1 September 2004)  
A Curry (resigned 1 September 2004)  
S Curtis (resigned 1 September 2004)  
P D Miller (resigned 1 September 2004)  
D Monk (resigned 1 September 2004)  
P S Wood (resigned 1 September 2004)

No director had an interest in the share capital of this company at any time during 2004.

The interests of the directors in the issued share capital of the ultimate parent undertaking, Cattles plc, according to the register kept under section 325 of the Companies Act 1985, are shown in the annual report and financial statements of that company.

**5. Employment policy**

The company gives sympathetic consideration to applications for employment from disabled persons wherever practicable. Successful applicants and employees who become disabled are given appropriate assistance and training and have the same career and promotion prospects as other employees.

**6. Employee involvement**

The directors believe in encouraging the interest and involvement of employees by making them more aware of performance at both local and group level. Many employees are able to earn bonus payments based on the profitability of their individual branch or division.

In addition, due to active in-house training programmes and formal mechanisms for regularly briefing staff such as the Cattles plc Consumer Division's magazine 'Connect' and annual conferences, groups of employees are able to meet on a regular basis to discuss future developments, exchange ideas and provide feedback to management.

**7. Supplier payment policy and practice**

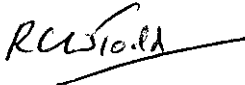
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers when a binding purchase contract is entered into, provided that all trading terms and conditions have been complied with. At the year end, the company had an average of 23 days purchases (2003: 22 days purchases) outstanding in trade creditors.

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**8. Independent auditors**

The company has passed an elective resolution to dispense with the obligation to re-appoint auditors annually. PricewaterhouseCoopers LLP shall, therefore, be deemed re-appointed as auditors.

By Order of the Board



R C W TODD  
Secretary

Registered Office:  
Kingston House  
Centre 27 Business Park  
Woodhead Road  
Birstall  
Batley  
WF17 9TD

7 October 2005

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PROGRESSIVE FINANCIAL SERVICES LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with 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 at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds

7 October 2005

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>Turnover</b>	2	617,643,964	497,720,517
Cost of sales		(349,316,947)	(272,859,624)
<b>Gross profit</b>		268,327,017	224,860,893
Administrative expenses		(170,785,164)	(154,587,185)
<b>Operating profit</b>	2,3	97,541,853	70,273,708
Income from shares in group undertakings		-	846,019
<b>Profit on ordinary activities before taxation</b>		97,541,853	71,119,727
Tax on profit on ordinary activities	7	(29,475,954)	(22,013,485)
<b>Profit on ordinary activities after taxation</b>		68,065,899	49,106,242
Dividends (including non-equity)	8	(59,212,128)	(47,339,441)
<b>Retained profit for the year</b>	19	8,853,771	1,766,801


The results shown in the profit and loss account above derive wholly from continuing operations. The only recognised gains and losses for the year are those dealt with in the profit and loss account above.

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>Fixed assets</b>			
Intangible assets	9	21,389,259	22,785,626
Tangible assets	10	29,006,569	25,422,794
Investments	11	4,000	4,000
		<u>50,399,828</u>	<u>48,212,420</u>
<b>Current assets</b>			
Customers' accounts receivable:			
Amounts falling due after more than one year		1,085,371,074	830,636,289
Amounts falling due within one year		619,368,206	592,784,669
		<u>1,704,739,280</u>	<u>1,423,420,958</u>
Less: deferred revenue		(192,713,818)	(216,379,072)
		<u>1,512,025,462</u>	<u>1,207,041,886</u>
Stocks	13	2,500,187	2,986,720
Debtors	14	124,566,795	19,354,476
Cash at bank and in hand		12,657,306	10,776,558
		<u>1,651,749,750</u>	<u>1,240,159,640</u>
Creditors - amounts falling due within one year	15	(1,469,861,319)	(1,112,391,117)
<b>Net current assets</b>		<u>181,888,431</u>	<u>127,768,523</u>
<b>Total assets less current liabilities</b>		<u>232,288,259</u>	<u>175,980,943</u>
Creditors - amounts falling due after more than one year	15	(6,531,372)	(1,715,867)
<b>Net assets</b>		<u><u>225,756,887</u></u>	<u><u>174,265,076</u></u>
<b>Capital and reserves</b>			
Called up share capital	17	101,139,768	100,711,885
Share premium account	18	113,406,017	71,195,860
Profit and loss account	19	11,211,102	2,357,331
<b>Shareholders' funds</b>	20	<u><u>225,756,887</u></u>	<u><u>174,265,076</u></u>
Attributable to equity shareholders		111,216,097	102,362,326
Attributable to non-equity shareholders		114,540,790	71,902,750

Approved by the Board on 7 October 2005 and signed on its behalf by:

J J CORR - Director



**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

**1. Accounting policies**

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been applied consistently, is set out below.

**Accounting convention**

The financial statements are prepared under the historical cost convention. Consolidated financial statements have not been prepared in accordance with section 228 of the Companies Act 1985 as the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, which prepares consolidated financial statements.

In accordance with paragraph 3(3) of Schedule 4 of the Companies Act 1985, the directors have adapted the arrangement of certain headings in the profit and loss account to reflect more appropriately the nature of the company's activities. In particular, cost of sales includes net interest payable and finance charges on group and external borrowings and customers' accounts receivable are disclosed separately on the face of the balance sheet.

**Turnover**

Turnover, which is exclusive of value added tax, comprises:

Instalment credit agreements	Interest receivable, acceptance and similar fees, and early settlement fees
Brokerage	Commission income on the sale of insurance products to borrowers
Goods and services	Gross amounts of goods or services supplied

**Instalment credit revenue recognition**

Interest receivable on secured and unsecured interest-bearing personal loan agreements is recognised on the accruals basis. In the case of hire purchase agreements, interest receivable is computed at the inception of the loan, added to the customer's balance and released to profit on the 'sum of the digits' basis over the lesser of the contracted and effective term of the agreement.

In respect of home collected credit, an initial amount of the interest receivable is credited to the profit and loss account, mainly to cover the costs associated with the setting up of the transaction. The remaining amount of interest receivable is carried forward in customers' accounts receivable as deferred revenue. This is calculated to adequately cover future collecting and financing costs and to allow for an appropriate contribution to profits in subsequent accounting periods. Deferred revenue is released to profit on a straight line basis in proportion to the reduction in the collectible amount.

Acceptance fees and similar fees charged to borrowers at the inception of the loan are credited to the profit and loss account when charged. Appropriate provision is made for the rebate of such fees, net of any related settlement fees on early redemption of the loan, when required under the terms of the loan agreement. Fees charged to borrowers on the early settlement of the loans are credited to the profit and loss account as charged.

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**1. Accounting policies (continued)**

**Brokerage revenue recognition**

Commissions earned on the sale of single premium insurance products to borrowers are credited to the profit and loss account on inception of the policy. Appropriate provision is made for the rebate of such commissions arising on the early termination or cancellation of the related insurance policy where required by the terms of the insurance contract.

**Customers' accounts receivable**

Customers' accounts receivable consist of amounts outstanding under instalment credit agreements, including repayments not yet due at the year end, less appropriate provision for bad and doubtful debts based upon the individual assessment of accounts and formulae related to past experience.

The historic propensity for ultimate credit loss is based on the number of months since a full payment, or equivalent, has been received from a direct repayment customer and, in the case of a home collected customer's loan, is based on the level of payments received during the latest thirteen week period of the loan.

**Deferred tax**

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 law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised only 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.

**Investments in subsidiary undertakings**

Investments in subsidiary undertakings are included at cost, unless, in the opinion of the directors, a permanent diminution in value has occurred, in which case the deficiency is provided for and charged in the profit and loss account.

**Stocks**

*Stocks comprise motor vehicles held for resale. Stocks are included at the lower of cost and net realisable value.*

**Goodwill**

Goodwill represents the difference between the fair value of a business or company acquired, as represented by the consideration paid, and the fair value of the net assets acquired. Goodwill arising on the acquisition of subsidiary undertakings and trading assets is capitalised at cost and subsequently amortised on a straight line basis over its estimated useful life up to a maximum of 20 years. This reflects the period over which the directors estimate that the value of the underlying businesses acquired is expected to exceed the value of the underlying assets.

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

1. **Accounting policies (continued)**

**Goodwill (continued)**

Goodwill arising on acquisitions is reviewed for impairment, in accordance with FRS 10 'Goodwill and intangible assets' and FRS 11 'Impairment of fixed assets and goodwill', at the end of the first full year after acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment assessed is charged to the profit and loss account.

Under the transitional arrangements of FRS 10, up to 31 December 1997 goodwill arising on acquisitions was brought in at cost and offset firstly against negative goodwill arising during the year on similar acquisitions, secondly against available reserves and thereafter against retained profits brought forward. Goodwill written off to reserves prior to 1 January 1998 has not been reinstated. On the subsequent disposal of any business to which previously written off goodwill attaches, the related amount is charged or credited in the profit and loss account as appropriate.

**Tangible fixed assets and depreciation**

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis by reference to the estimated useful economic life and residual value of the assets concerned, at the following principal rates:

Freehold buildings	2% per annum
Long leasehold buildings	2% per annum
Short leasehold expenditure	5% to 20% per annum
Motor vehicles	20% per annum
Fixtures, equipment and software licenses	10% to 33⅓% per annum
Assets held for rental	20% per annum

Assets held for rental comprise electronic equipment, such as televisions, DVD and VCR players, which are hired out to customers under a rental agreement.

Depreciation is not provided on freehold and long leasehold land.

Fixed assets are reviewed for impairment, in accordance with FRS 11 'Impairment of fixed assets and goodwill'. If events or changes in circumstances indicate that the carrying value may not be recoverable, any impairment in value is charged to the profit and loss account.

**Pension funding**

The company is a member of a group which operates a defined benefit pension scheme, the assets of which are held in a separate trustee administered fund. The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service life of employees in the scheme. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted and are disclosed in the group financial statements prepared by Cattles plc. The scheme was closed to new entrants from 1998.

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**1. Accounting policies (continued)**

**Pension funding (continued)**

The group also operates several defined contribution schemes. The pension cost in respect of these schemes is the contributions payable. Payments made to personal pension plans are charged to the profit and loss account as they become payable. The company provides no other post-retirement benefits to its employees or directors.

**Leasing**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the agreement and depreciated over the shorter of the period of the agreement and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the agreement in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rentals payable under operating leases are charged to the profit and loss account over the period of the lease on a straight line basis.

**2. Turnover and operating profit**

Turnover and operating profit are wholly attributable to the provision of consumer credit and motor finance services within the United Kingdom, the company's principal activities.

**3. Operating profit**

This is stated after charging/(crediting):	<b>2004</b> £	<b>2003</b> £
Interest on external bank and other borrowings included in cost of sales	372,622	302,147
Finance charges on amounts owed to group undertakings included in cost of sales	84,678,527	64,791,964
Depreciation – on owned tangible fixed assets	6,603,858	7,775,606
Depreciation – on tangible fixed assets held under finance leases and hire purchase contracts	2,001,439	2,015,908
Amortisation of goodwill	1,396,367	1,420,018
Provision for diminution in value of investment	-	1,453,470
(Profit)/loss on disposal of tangible fixed assets	(79,666)	756,484
Finance lease charges	361,758	276,314
Operating lease rentals - land and buildings	5,643,295	4,830,592
- plant and machinery	4,714,276	3,457,112
Auditors' remuneration - as auditors	253,600	170,500

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**4. Directors' emoluments**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments	627,363	826,953
Contributions to defined contribution pension schemes	36,728	45,788
	<u>664,091</u>	<u>872,741</u>

The number of directors to whom retirement benefits are accruing under pension schemes is:

	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>
Under defined benefit schemes	1	1
Under defined contribution schemes	3	9
	<u>4</u>	<u>10</u>

The emoluments of the highest paid director were:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Aggregate emoluments	126,772	173,480
Contributions to defined contribution pension scheme	10,260	13,750
	<u>137,032</u>	<u>187,230</u>

Four directors exercised share options in the shares of Cattles plc during the year. Four directors received shares under the Cattles plc Restricted Share Scheme.

Those directors of the company who are also directors of the ultimate parent undertaking receive no emoluments in respect of their services for Progressive Financial Services Limited.

**5. Staff costs**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Wages and salaries	88,459,845	76,878,562
Social security costs	8,249,390	6,940,557
Cattles pension scheme costs (note 6)	2,658,434	1,896,789
Defined contribution pension scheme costs (note 6)	677,265	608,026
	<u>100,044,934</u>	<u>86,323,934</u>

The average monthly number of persons employed by the company during the year was as follows:

	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>
Branch office staff, agents and other operations staff	3,903	3,789
Central support services	422	332
	<u>4,325</u>	<u>4,121</u>

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

**6. Pension costs**

The company is a member of a group which operates a funded defined benefit pension scheme for employees, which is contracted out of the state scheme. The assets of the scheme are held separately in a trustee administered fund. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. This scheme was closed to new entrants from 1998.

Details of the scheme including the most recent actuarial valuation, assumptions affecting that valuation and current funding levels are disclosed in the group financial statements prepared by Cattles plc. The transitional disclosure requirements under FRS 17 'Retirement benefits' have been adopted and are also disclosed in the group financial statements prepared by Cattles plc.

The company participates in the Cattles Staff Pension Fund which is a multi-employer scheme. It is not possible to identify the share of the underlying assets and liabilities in the Fund relating to individual participating employers. As such, in accordance with FRS 17, the company will account for its liability to the Fund as if it were a defined contribution scheme. Thus no disclosure of the balance sheet position will be made and the charge to profit and loss under FRS 17 will represent the actual contributions paid by the company.

The charge in this company for pension cost for this scheme for the year was £2,658,434 (2003: £1,896,789).

The group also operates defined contribution personal pension schemes for new employees and existing employees who are not members of the defined benefit pension scheme. The pension cost in respect of these schemes is the contributions payable, which was £677,265 for the year (2003: £608,026).

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**7. Tax on profit on ordinary activities**

	2004	2003
	£	£
Based on the profit for the year:		
Current tax:		
UK corporation tax at 30% (2003: 30%)	30,573,559	23,382,499
Adjustments in respect of previous years	(561,518)	(851,468)
	<u>30,012,041</u>	<u>22,531,031</u>
Deferred tax:		
Origination and reversal of timing differences	(1,121,993)	(1,069,764)
Adjustments in respect of previous years	585,906	552,218
	<u>29,475,954</u>	<u>22,013,485</u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2003: 30%). The actual tax charge for the current and the previous year differs to the standard rate for the reasons set out in the following reconciliation.

	2004	2003
	£	£
Profit on ordinary activities before tax	97,541,853	71,119,727
Tax on profit on ordinary activities at standard rate	29,262,556	21,335,918
Factors affecting charge for the year:		
Accounting depreciation in excess of capital allowances	114,420	853,807
Expenses not deductible for tax purposes (including goodwill amortisation)	189,010	1,230,623
Movements on short term timing differences	1,007,573	215,957
Adjustments to tax charge in respect of previous years	(561,518)	(851,468)
Income from shares in group undertakings	-	(253,806)
Current tax charge for the year	<u>30,012,041</u>	<u>22,531,031</u>

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

8.	<b>Dividends</b>	<b>2004</b> <b>£</b>	<b>2003</b> <b>£</b>
	Interim paid – on equity shares	-	12,200,000
	Final proposed – on equity shares	27,000,000	25,000,000
		<u>27,000,000</u>	<u>37,200,000</u>
	Dividend paid – on “A” preference shares	-	10,136,918
	Dividend proposed – on “A” preference shares	4,474	2,523
		<u>4,474</u>	<u>10,139,441</u>
	Dividend paid – on “B” preference shares	25,301,804	-
	Dividend proposed – on “B” preference shares	7,884	-
		<u>25,309,688</u>	<u>-</u>
	Dividend proposed – on irredeemable preference shares	6,897,966	-
		<u>59,212,128</u>	<u>47,339,441</u>
9.	<b>Intangible fixed assets</b>		<b>Goodwill</b> <b>£</b>
	Cost at 1 January 2004 and 31 December 2004		<u>27,481,005</u>
	Amortisation at 1 January 2004		4,695,379
	Charge for the year		<u>1,396,367</u>
	Amortisation at 31 December 2004		<u>6,091,746</u>
	Net book amount at 31 December 2004		<u>21,389,259</u>
	Net book amount at 31 December 2003		<u>22,785,626</u>

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2004**

**10. Tangible fixed assets**

	<b>Total</b>	<b>Freehold land &amp; buildings</b>	<b>Long leasehold land &amp; buildings</b>	<b>Short leasehold land &amp; buildings</b>	<b>Motor vehicles</b>	<b>Fixtures, equipment &amp; software licenses</b>	<b>Assets held for rental</b>
	£	£	£	£	£	£	£
<b>Cost</b>							
At 1 January 2004	65,062,909	5,559,306	187,500	6,681,220	6,307,309	41,781,317	4,546,257
Group transfers	(58,854)	-	-	-	(58,854)	-	-
Additions	14,926,544	-	-	1,657,338	1,616,523	11,526,529	126,154
Disposals	(9,394,251)	(228,297)	-	(645,543)	(4,232,213)	(2,252,677)	(2,035,521)
At 31 December 2004	70,536,348	5,331,009	187,500	7,693,015	3,632,765	51,055,169	2,636,890
<b>Accumulated depreciation</b>							
At 1 January 2004	39,640,115	262,461	12,078	3,805,683	3,066,526	30,239,869	2,253,498
Group transfers	(3,188)	-	-	-	(3,188)	-	-
Charge for the year	8,605,297	17,100	2,689	1,043,537	1,154,106	5,785,827	602,038
Disposals	(6,712,445)	(17,092)	-	(253,272)	(3,315,290)	(1,927,449)	(1,199,342)
At 31 December 2004	41,529,779	262,469	14,767	4,595,948	902,154	34,098,247	1,656,194
<b>Net book value</b>							
At 31 December 2004	29,006,569	5,068,540	172,733	3,097,067	2,730,611	16,956,922	980,696
At 31 December 2003	25,422,794	5,296,845	175,422	2,875,537	3,240,783	11,541,448	2,292,759

The net book value of motor vehicles includes an amount of £2,387,336 (2003: £3,024,596) and the net book value of fixtures, equipment and software licenses includes an amount of £3,032,034 (2003: £1,518,130) in respect of assets held under finance leases and hire purchase contracts.

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**11. Investments**

<b>Cost</b>	<b>£</b>
At 1 January 2004 and 31 December 2004	1,457,470
<b>Provision for diminution in value</b>	
At 1 January 2004 and 31 December 2004	1,453,470
<b>Net book value</b>	
At 1 January 2004 and 31 December 2004	4,000

At 31 December 2004, the company held an investment in Macadam Finance Limited, a dormant company, which is wholly owned and registered in England and Wales.

**12. Customers' accounts receivable**

Included in customers' accounts receivable are amounts receivable under hire purchase contracts.

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Net investment in hire purchase contracts comprises:		
Total amounts receivable	588,355,762	564,011,690
Less: interest allocated to future periods	(152,621,463)	(147,778,011)
	<u>435,734,299</u>	<u>416,233,679</u>

Rentals receivable during the year under hire purchase contracts amounted to £143,680,803 (2003: £145,255,718).

The cost of assets acquired during the year for the purpose of letting under hire purchase contracts was £204,954,152 (2003: £176,235,968).

**13. Stocks**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Motor vehicles held for resale	<u>2,500,187</u>	<u>2,986,720</u>

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**14. Debtors**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,366,611	4,868,883
Amounts owed by group undertakings	106,512,779	1,710,880
Other debtors	-	139,956
Prepayments and accrued income	14,812,196	10,449,616
Dividends receivable	-	846,019
Deferred taxation (note 16)	1,875,209	1,339,122
	<u>124,566,795</u>	<u>19,354,476</u>

**15. Creditors**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Bank borrowings	5,215,677	14,596,497
Other borrowings	644,353	-
Obligations under finance leases and hire purchase contracts	2,929,927	3,070,450
Trade creditors	20,487,626	21,536,767
Amounts owed to group undertakings	1,369,391,797	1,013,236,509
Corporation tax	15,548,610	18,583,518
Other taxes and social security	3,869,828	3,478,202
Accruals	13,768,299	12,275,154
Other creditors	4,092,355	611,497
Dividends payable	33,912,847	25,002,523
	<u>1,469,861,319</u>	<u>1,112,391,117</u>

The amount shown as bank borrowings represents the proportion of the total group overdraft facility of Cattles plc currently utilised by this company.

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15. **Creditors (continued)**

<b>Amounts falling due after more than one year:</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Other borrowings	4,614,307	-
Obligations under finance leases and hire purchase contracts	1,917,065	1,715,867
	<u>6,531,372</u>	<u>1,715,867</u>

Other borrowings amounting to £5,258,660 relates to a fixed rate 6.39% loan taken out during 2004. The loan is repayable in quarterly instalments by September 2011 in accordance with the following maturity profile:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
In one year or less	644,353	-
In more than one year, but not more than two years	686,553	-
In more than two years, but not more than five years	2,341,417	-
In more than five years	1,586,337	-
	<u>5,258,660</u>	<u>-</u>

Amounts falling due after more than one year in respect of obligations under finance leases and hire purchase contracts have maturity dates of less than five years.

Amounts owed to group undertakings consist of:

Loan note partially funding acquisition of trades of Shopacheck Financial Services Limited and Welcome Financial Services Limited	-	884,325,000
Other amounts owed to group undertakings	1,369,391,797	128,911,509
	<u>1,369,391,797</u>	<u>1,013,236,509</u>

In 2002, the trades of Shopacheck Financial Services Limited and Welcome Financial Services Limited were acquired by the company. To assist the company in this acquisition, Cattles plc lent the company funds of £884,325,000. This loan note was initially repayable in full on 19 December 2003, however the term of the redemption date was extended on 19 December 2003 to a latest redemption date of 20 December 2004 with the option to redeem at the end of each calendar month in the forthcoming year.

However, on 31 March 2004 this loan note was replaced with an interest-bearing intra-group loan. The interest rate on this intra-group loan is based on the average cost of borrowing borne by Cattles plc plus an appropriate margin, and there is no fixed repayment date for this loan.

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**16. Deferred taxation**

Deferred taxation is provided in full and is made up as follows:	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	(867,635)	(586,623)
Short term timing differences	(1,007,574)	(752,499)
	<u>(1,875,209)</u>	<u>(1,339,122)</u>
Movement in asset:		<b>£</b>
As at 1 January 2004		(1,339,122)
Credit to profit and loss account		(536,087)
As at 31 December 2004 (note 14)		<u>(1,875,209)</u>

**17. Share capital**

	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary shares of 1p each	1,004,500	1,004,500	10,045	10,045
"A" preference shares of 1p each	10,000,000	10,000,000	100,000	100,000
"B" preference shares of 1p each	25,000,000	-	250,000	-
Irredeemable preference shares of 1p each	150,000,000	150,000,000	1,500,000	1,500,000
	<u>286,004,500</u>	<u>261,004,500</u>	<u>101,860,045</u>	<u>101,610,445</u>
<b>Allotted, called up and fully paid</b>				
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>No.</b>	<b>No.</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	100,000,000	100,000,000	100,000,000	100,000,000
Ordinary shares of 1p each	499,500	499,500	4,995	4,995
"A" preference shares of 1p each	10,000,000	10,000,000	100,000	100,000
"B" preference shares of 1p each	25,000,000	-	250,000	-
Irredeemable preference shares of 1p each	78,477,202	60,688,970	784,773	606,890
	<u>213,976,702</u>	<u>171,188,470</u>	<u>101,139,768</u>	<u>100,711,885</u>

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**17. Share capital (continued)**

During 2004 the company issued 25,000,000 "B" preference shares of 1p each with an aggregate nominal value of £250,000 for a total consideration of £25,000,000, thereby giving rise to a premium on issue of £24,750,000.

In addition, during 2004, the company issued 17,788,232 irredeemable preference shares of 1p each with an aggregate nominal value of £177,883 for a total consideration of £17,638,040, thereby giving rise to a premium on issue of £17,460,157.

**Rights attached to the preference shares**

The "B" preference shares have the right to receive first out of profits, on or after the third day following issue of the shares, a single non-cumulative special dividend per share equal to £0.99 plus Z, where Z equals £0.99 multiplied by X, and where X equals interest at the 6 month Sterling LIBOR rate for each day from the issue date until the date the special dividend is paid; and

The "A" and "B" preference shares have the following rights:

- (i) to receive second out of profits a cumulative dividend at the rate of 6 month Sterling LIBOR per annum on the amount paid up as to nominal value on each "A" or "B", as applicable, preference share.
- (ii) in a winding up, to receive repayment of capital as to nominal value and any unpaid and accrued dividends in preference to all other classes of share; and
- (iii) no right to attend and vote at general meetings of the company, except where a resolution is to be proposed:
  - (a) abrogating, varying or modifying any of the rights of the holders of the "A" or "B", as applicable, preference shares; or
  - (b) in respect of a winding up of the company
 or if any "A" or "B", as applicable, preference dividend has been declared but not paid.

The irredeemable preference shares have the following rights:

- (i) to receive third out of profits a cumulative preferential dividend equal to 12 month Sterling LIBOR plus 4.68% multiplied by £1.00, paid annually in arrears;
- (ii) in a winding up, to receive repayment of capital as to nominal value, any unpaid dividends and a further £0.99 per irredeemable preference share in preference to all classes of share other than the "A" and "B" preference shares; and
- (iii) no right to attend and vote at general meetings of the company.

**18. Share premium account**

	£
At 1 January 2004	71,195,860
Issue of preference shares (note 17)	42,210,157
	<hr/>
At 31 December 2004	113,406,017
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**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
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**19. Profit and loss account**

	£
At 1 January 2004	2,357,331
Retained profit for the year	8,853,771
At 31 December 2004	<u>11,211,102</u>

**20. Reconciliation of movements in shareholders' funds**

	2003 £	2002 £
Profit after taxation for the year	68,065,899	49,106,242
Dividends	(59,212,128)	(47,339,441)
Issue of share capital (including share premium)	42,638,040	71,902,750
Movement in shareholders' funds	<u>51,491,811</u>	<u>73,669,551</u>
Shareholders' funds at 1 January	174,265,076	100,595,525
Shareholders' funds at 31 December	<u>225,756,887</u>	<u>174,265,076</u>

**21. Operating lease obligations**

At 31 December 2004 the company had the following annual commitments in respect of non-cancellable operating leases which expire:

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	199,394	1,042,516	563,824	132,197
In two to five years	1,635,749	3,913,656	936,915	1,727,619
After five years	2,222,889	-	2,153,806	-
	<u>4,058,032</u>	<u>4,956,172</u>	<u>3,654,545</u>	<u>1,859,816</u>

**22. Contingent liabilities**

The company, together with other companies in the group, has entered into an unsecured unlimited multilateral bank guarantee.

**PROGRESSIVE FINANCIAL SERVICES LIMITED**  
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**23. Capital commitments**

The company had capital expenditure authorised and contracted but not provided for of £678,365 at 31 December 2004 (2003: £nil).

**24. Cash flow statement**

As the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, a cash flow statement has not been prepared. The parent company prepares consolidated financial statements which include a consolidated cash flow statement dealing with the cash flows of the group.

**25. Related party transactions**

The company has taken advantage of the exemption available under FRS 8 'Related party transactions' from disclosing transactions between the company and other undertakings that are part of the Cattles plc group on the grounds that all the voting rights of the company are controlled by Cattles plc.

**26. Ultimate parent undertaking**

The ultimate parent undertaking and controlling party of this company is Cattles plc, registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Cattles plc. The consolidated financial statements of this group are available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, WF17 9TD.