

Company Registration Number: 2064697

COLONIAL FINANCE (UK) LIMITED

Report and Financial Statements

Year ended 30 September 2002



DIRECTORS' REPORT

The Directors present their report and audited accounts for the year ended 30 September 2002.

Principal Activities and Business Review

The Company provides credit facilities for the purchase of furniture and electrical goods through a wide range of retailers and offers unsecured personal loans to the general public through direct marketing and affiliated organisations. The Directors consider that the Company has and will continue to perform satisfactorily.

Results and Dividends

The profit for the year after tax of £2,327,000 (2001 - £185,000) was transferred to reserves. The Directors do not recommend the payment of a dividend.

Directors and their Interests

The directors throughout the year, unless otherwise noted, were:-

N Keen
J G Gemmell
A Mehmet
R D Shelton

N Keen is a director of the ultimate parent company, The Paragon Group of Companies PLC. Accordingly, his interests in shares of group companies are disclosed in that company's directors' report.

J G Gemmell, A Mehmet and R D Shelton are employees of The Paragon Group of Companies PLC and had the following beneficial interests in the share capital of that company by virtue of options granted to them under the Executive Share Option Scheme.

	At 30 September 2001 Ordinary shares of 10p each	Options granted during the year	Options exercised during the year	Options lapsed / cancelled during the year	At 30 September 2002 Ordinary shares of 10p each
J G Gemmell	268,827	70,000	-	-	338,827
A Mehmet	188,030	90,000	120,000	-	158,030
R D Shelton	275,263	70,000	-	-	345,263

In addition, at 30 September 2002 J G Gemmell beneficially held 937 shares (2001: 937). Save for these, no other director had any interests in the shares of other group companies.

None of the directors had any interest either during or at the end of the period in any material contract or arrangement with the company. None of the directors has a service contract with the company.

DIRECTORS' REPORT (continued)

Creditor Payment Policy

The company 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. The trade creditor days figure has not been stated as the measure is not appropriate to the business.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

A handwritten signature in black ink, consisting of a stylized 'J' followed by a series of loops and a long horizontal stroke.

J G Gemmell
Secretary
23 July 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES
in relation to Financial Statements

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 as at the end of the financial year and of the profit or loss for the financial year. As required, in the absence of any circumstances which would make it inappropriate, the financial statements have been prepared on a going concern basis.

The directors consider that in preparing the financial statements (on pages 5 to 9), the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF COLONIAL FINANCE (UK) LIMITED**

We have audited the financial statements Colonial Finance (UK) Limited for the year ended 30 September 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors' are responsible for the preparation of 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 period and consider the implications for our reports if we become aware of any apparent misstatements.

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 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 30 September 2002 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

24 July 2003

COLONIAL FINANCE (UK) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 2002

		Year ended 30 September 2002	Period from 17 October 2000 to 30 September 2001 (restated)
	Note	£'000	£'000
Interest receivable			
Loans to customers		50	810
Other		21	21
		<hr/>	<hr/>
		71	831
Interest payable	2	(42)	(20)
Net interest income		<hr/>	<hr/>
		29	811
Other operating income		432	311
Total operating income		<hr/>	<hr/>
		461	1,122
Operating expenses		82	(329)
Provision for losses		<hr/>	<hr/>
		1,784	(608)
Operating profit, being profit on ordinary activities before taxation	4	<hr/>	<hr/>
		2,327	185
Taxation	5	-	-
Retained profit for the year	8	<hr/>	<hr/>
		2,327	185

All material activities derive from continuing operations.

There are no recognised gains or losses other than the profits for the current and the preceding years.

The profit and loss account has been restated to bring the format in line with the format of the group consolidated accounts. The format was previously "Turnover", "Cost of sales", "Gross profit", "Administrative expenses", "Operating profit", "Interest receivable", "Interest payable", "Profit before taxation", "Taxation", "Retained profit", (see note 10) .

COLONIAL FINANCE (UK) LIMITED

BALANCE SHEET

30 September 2002

		2002	2001
	Note	£'000	£'000
ASSETS EMPLOYED			
Current assets			
Debtors due within one year	6	17,831	15,818
Cash at bank and in hand		1,489	1,081
		<u>19,320</u>	<u>16,899</u>
FINANCED BY			
Equity shareholders' funds			
Called up share capital	7	30,050	30,050
Profit and loss account	8	(10,897)	(13,224)
		<u>19,153</u>	<u>16,826</u>
Creditors			
Amounts falling due within one year	9	167	73
		<u>19,320</u>	<u>16,899</u>

The financial statements were approved by the Board of Directors on 25 July 2003.

Signed on behalf of the Board of Directors.



R D Shelton
Director

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention and applicable accounting standards.

Transactions with other group companies

The Company has relied on the exemption given in Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group and qualify as related parties, on the grounds that its voting rights are more than 90% controlled within the group and the parent undertaking publishes consolidated financial statements which include the accounts of the Company.

Cashflow Statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 - 'Cashflow Statements' and does not therefore provide a cashflow statement.

2. INTEREST PAYABLE

	Year ended 30 September 2002 £000	Period from 17 October 2000 to 30 September 2001 (restated) £000
Interest payable on bank loans	42	20

3. DIRECTORS AND EMPLOYEES

None of the directors received any remuneration from the company during either the current year or the preceding period.

One director (2001: 2) exercised share options in the ultimate parent company during the year. An aggregate gain before taxation of £106,000 was made by directors on the exercise of share options (2001: £150,000).

The company has no other employees during either the current year or the preceding period.

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

4. OPERATING PROFIT

	Year ended 30 September 2002 £'000	Period from 17 October 2000 to 30 September 2001 (restated) £'000
Operating profit is stated after charging:		
Auditors' remuneration - audit services	<u>3</u>	<u>3</u>

5. TAXATION

	£'000	£'000
a) Tax charge for the current year:		
Corporation tax	<u>-</u>	<u>-</u>
Profit before tax	<u>2,327</u>	<u>185</u>
Tax at 30%	698	56
Utilisation of losses	<u>(698)</u>	<u>(56)</u>
Prior year	<u>-</u>	<u>-</u>

6. DEBTORS

	£'000	£'000
Debtors due within one year		
Amount owed by group companies	17,186	15,265
Sundry debtors	<u>645</u>	<u>553</u>
	<u>17,831</u>	<u>15,818</u>

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

7. SHARE CAPITAL

	2002	2001
	£'000	£'000
Authorised:		
Ordinary shares of £1 each	35,000	35,000
Allotted, issued, fully paid and called up:		
Ordinary shares of £1 each	30,050	30,050

8. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital	Profit and loss account	Total
	£'000	£'000	£'000
At 1 October 2001	30,050	(13,224)	16,826
Profit for the year	-	2,327	2,327
At 30 September 2002	30,050	(10,897)	19,153

9. CREDITORS

	2002	2001
	£'000	£'000
Amount owed to group company	69	-
Accruals and deferred income	98	73
	167	73

NOTES TO THE ACCOUNTS

Year ended 30 September 2002

10. CHANGE IN PROFIT AND LOSS ACCOUNT FORMAT

	As previously reported £'000	Turnover £'000	Expenses £'000	Interest receivable £'000	Interest payable £'000	As restated £'000
Previous format						
Turnover	513	(513)				-
Cost of sales	(306)		306			-
Gross profit	207					-
Administrative expenses	(23)		23			-
Operating profit	184					-
Interest receivable	21			(21)		-
Interest payable	(20)				20	-
Revised format						
Interest receivable						
- Loans to customers		810				810
- Other				21		21
						831
Interest payable					(20)	(20)
Net interest income						811
Other operating income		311				311
Total operating income						1,122
Operating expenses			(329)			(329)
Provision for losses		(608)				(608)
Operating profit, being profit on ordinary activities before taxation	185	-	-	-	-	185
Taxation	-	-	-	-	-	-
Retained profit for the year	185	-	-	-	-	185

11. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is The Paragon Group of Companies PLC, a company registered in England and Wales. Copies of the group's financial statements are available from that company's registered office at St Catherine's Court, Herbert Road, Solihull, West Midlands, B91 3QE