

Time Retail Finance Limited

Annual report for the year ended 31 January 1998

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Directors' report for the year ended 31 January 1998

The directors present their report and the audited financial statements for the year ended 31 January 1998.

Principal activities

The company's principal activity is the provision of credit facilities through retailers.

Review of business

The directors consider the results for the year to be satisfactory and in line with expectations. Going forward, the company will continue to provide competitive retail credit facilities to Kingfisher group companies.

The profit of the company for the year after taxation amounted to £220,000 (1997: £355,000). The directors do not propose an equity dividend for the year (1996: £Nil).

Directors and their interests

The directors during the year were as follows:

A H Percival	(Chairman)
J Ferguson	
J R Gould	
C C B Rogers	
E E Styring	(Resigned 24 February 1997)

No director at 31 January 1998 had any interest in any shares in or debentures of the company or any other group company.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 January 1998. The directors also confirm that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read 'J. Ferguson', written over the printed name.

**J Ferguson
Company Secretary**

24th February 1998

**Report of the auditors to the members of
Time Retail Finance Limited**

We have audited the financial statements on pages 4 to 16.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 affairs of the company as at 31 January 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors

Leeds

24 February 1998

Profit and loss account for the year ended 31 January 1998

	Notes	1998 £'000	1997 £'000
Turnover		51,968	39,884
Interest payable	5	(6,888)	(5,020)
Gross profit		45,080	34,864
Administrative expenses		(44,633)	(31,327)
Exceptional administrative expense	4	-	(2,000)
Profit on ordinary activities before taxation	6	447	1,537
Taxation on profit on ordinary activities	7	(227)	(1,182)
Profit on ordinary activities after taxation		220	355
Preference dividends	8	36	-
Retained profit for the year	18	184	355

All the above results relate to continuing operations.


The company has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

Balance sheet at 31 January 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Tangible assets	9	334	295
Investments	10	37,509	37,509
		<u>37,843</u>	<u>37,804</u>
Current assets			
Debtors: amounts falling due within one year	11	256,747	165,970
Debtors: amounts falling due after more than one year	12	31,944	46,272
Cash at bank and in hand		1,465	1,116
		<u>290,156</u>	<u>213,358</u>
Creditors: amounts falling due within one year	13	(267,566)	(219,193)
Net current assets/(liabilities)		<u>22,590</u>	<u>(5,835)</u>
Total assets less current liabilities		<u>60,433</u>	<u>31,969</u>
Creditors: amounts falling due after more than one year	14	(35,942)	(8,162)
Net assets		<u>24,491</u>	<u>23,807</u>
Capital and reserves			
Called up share capital	17	14,300	13,800
Profit and loss account	18	10,191	10,007
Equity shareholders' funds		<u>23,991</u>	<u>23,807</u>
Non-equity shareholders' funds		<u>500</u>	<u>-</u>
Total shareholders' funds	19	<u>24,491</u>	<u>23,807</u>

Approved by the board



Directors

24TH FEBRUARY 1998

Cash flow statement for the year ended 31 January 1998

	Notes	1998 £'000	1997 £'000
Net cash inflow from operating activities	20	<u>1,129</u>	<u>3,116</u>
Return on investments and servicing of finance			
Preference dividend paid		<u>(36)</u>	<u>-</u>
Taxation			
UK corporation tax paid		<u>(987)</u>	<u>(2,522)</u>
Capital expenditure			
Payments made to acquire tangible fixed assets		(328)	(90)
Receipts from sale of tangible fixed assets		<u>72</u>	<u>18</u>
Net cash outflow from capital expenditure		<u>(256)</u>	<u>(72)</u>
Financing			
Issue of preference share capital		<u>500</u>	<u>-</u>
Increase in cash	22	<u><u>350</u></u>	<u><u>522</u></u>

Notes to the financial statements for the year ended 31 January 1998

1 Principal accounting policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Debtors

Full provision is made for doubtful debts using an arrears based method which is designed to provide for those debts which will probably prove to be irrecoverable.

Turnover

Turnover principally represents interest charges on credit facilities provided to customers and subsidies received from retailers in respect of interest free credit transactions.

Interest payable

Interest payable principally represents interest charges on amounts owed to the company's parent undertaking.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated lives of the fixed assets concerned, which are in the range of two to five years.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that the liability or asset will crystallise.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

1 Principal accounting policies (continued)

Consolidated financial statements

The results of the Time Retail Finance group are fully consolidated in the financial statements of the ultimate parent undertaking, Kingfisher plc, as detailed in note 25. The company is exempt from the obligation to prepare and deliver group accounts.

Pension costs

The company contributes to group pension schemes operated by Kingfisher plc. Contributions and pension costs are based on pension costs across the group as a whole.

The group operates defined benefit and contribution schemes for its UK employees. In each case a separate fund is being accumulated to meet the accruing liabilities. The assets of each of these funds are all held under trusts which are entirely separate from the group's assets.

The cost of pensions in respect of the group's defined benefit schemes is charged to the profit and loss account so that it is spread over the working lives of employees. Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the working lives of the current employees at each actuarial valuation date.

2 Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments	218	176

Retirement benefits are accruing to three directors (1997 three directors) under the group's defined benefit scheme. One director (1997 one director) exercised options for the shares of Kingfisher plc during the year.

	1998 £	1997 £
Highest paid director		
Aggregate emoluments (excluding gains on exercise of share options and value of shares received)	111,900	92,074
Pension accrued at the end of the year under group's defined benefit scheme	7,800	

3 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was 23 (1997: 24).

	1998 £'000	1997 £'000
Staff costs (for the above persons)		
Wages and salaries	947	832
Social security costs	86	66
Other pension costs	51	37
	<u>1,084</u>	<u>935</u>

4 Exceptional administrative expense

During the year to 31 January 1997 the company waived a loan of £2,000,000 to its wholly owned subsidiary Time Finance Limited.

5 Interest payable

	1998 £'000	1997 £'000
Interest payable to parent undertaking	11,376	7,792
Interest receivable from subsidiary undertaking	(4,488)	(2,772)
	<u>6,888</u>	<u>5,020</u>

6 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	1	10
	<u>1</u>	<u>10</u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	218	241
Auditors' remuneration for:		
Audit	36	30
Other services to the company	28	7
Operating lease rentals - assets other than plant and machinery	64	64
	<u>346</u>	<u>342</u>

7 Taxation on profit on ordinary activities

	1998 £'000	1997 £'000
UK corporation tax at 31.3% (1997: 33%)	<u>227</u>	<u>1,182</u>

The 1997 tax charge was increased by £660,000 because the loan waiver described in Note 4 is not an allowable deduction for corporation tax purposes.

There was no potential deferred taxation liability at 31 January 1998 or 31 January 1997.

8 Dividends

	1998 £'000	1997 £'000
Dividend on 8% cumulative redeemable preference shares	<u>36</u>	<u>-</u>

9 Tangible fixed assets

	Motor vehicles and office equipment £'000
Cost	
At 31 January 1997	929
Additions	328
Disposals	(247)
At 31 January 1998	<u>1,010</u>
Depreciation	
At 31 January 1997	634
Charge for the year	218
Disposals	(176)
At 31 January 1998	<u>676</u>
Net book value	
At 31 January 1998	<u>334</u>
Net book value	
At 31 January 1997	<u>295</u>

10 Fixed asset investments

Subsidiary
undertakings
£'000

Cost and net book value

At 31 January 1997 and 31 January 1998

37,509

Interests in subsidiary undertakings

The following information relates to the subsidiary undertakings controlled by the company:

Name of undertaking	Country of incorporation	Proportion of nominal value of issued shares held by the company %
Time Finance Limited	Great Britain	100
TRF Factors Limited	Great Britain	100
Kingfisher Group Business Services Limited	Great Britain	100
Kingfisher Retail Services Limited	Great Britain	100

TRF Factors Limited, Kingfisher Group Business Services Limited and Kingfisher Retail Services Limited have not traded during the year. The principal business activity of Time Finance Limited is the provision of retail credit facilities.

11 Debtors: amounts falling due within one year

	1998 £'000	1997 £'000
Credit receivables	76,422	112,289
Amounts owed by subsidiary undertakings	191,473	83,588
Other debtors and prepayments	19,059	15,524
Deferred expenditure	1,737	841
	<u>288,691</u>	<u>212,242</u>
Less: credit receivables due after one year	(31,944)	(46,272)
	<u>256,747</u>	<u>165,970</u>

12 Debtors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Credit receivables	<u>31,944</u>	<u>46,272</u>

13 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Bank overdrafts	115	116
Trade creditors	443	1,427
Amounts owed to parent and fellow subsidiary undertakings	166,568	116,533
Amounts owed to subsidiary undertakings	37,515	37,515
Corporation tax	595	1,355
Other taxation and social security	45,146	48,706
Other creditors	5	458
Accruals and deferred income	<u>17,179</u>	<u>13,083</u>
	<u>267,566</u>	<u>219,193</u>

14 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Amounts owed to parent undertaking	35,000	6,000
Accruals and deferred income	<u>942</u>	<u>2,162</u>
	<u>35,942</u>	<u>8,162</u>

The accruals and deferred income relate to subsidies received from retailers in respect of future costs of financing existing credit agreements with more than one year to run.

15 Securitised credit receivables

The company sells credit receivables to its subsidiary undertaking, Time Finance Limited. Time Finance Limited entered into agreements to securitise these debts partly by issuing loan notes, the balance of £43,818,000 (1997: £35,179,000) being taken to the loan account (subordinated to the claims of other creditors) from Time Finance Limited to the company. Neither the company nor any other group undertaking is obliged or intends to support any losses in respect of the sold receivables in excess of the amount of the subordinated loan. Principal and interest are repayable from, and secured solely on, the credit receivables.

16 Pension obligations

The company participates in group pension schemes operated by Kingfisher plc, being defined contribution and funded benefit schemes. Their assets are held primarily in separate trustee administered funds. The rates of contribution relating to the defined benefit schemes are assessed in accordance with the advice of an actuary and in the intervening years between each revaluation the actuary reviews the continuing appropriateness of the rates. The latest valuation of the scheme was at 31 March 1995. Particulars of the valuation are contained in the financial statements of Kingfisher plc.

The total pension cost for the company was £51,000 (1997: £37,000).

17 Called up share capital

	1998 £'000	1997 £'000
Authorised		
20,500,000 ordinary shares of £1 each	20,500	20,000
500,000 8% cumulative redeemable preferences shares of £1 each	500	-
	<u>21,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
13,800,002 ordinary shares of £1 each	13,800	13,800
500,000 8% cumulative redeemable preference shares of £1 each	500	-
	<u>14,300</u>	<u>13,800</u>

During the year the company's authorised share capital was increased from £20,000,002 to £21,000,000 by the creation of 499,998 additional ordinary shares of £1 each and 500,000 redeemable preference shares of £1 each. 500,000 redeemable preferences shares were allotted outside the Kingfisher plc group for a cash consideration of £500,000.

The preference shares carry the right to a fixed cumulative preferential dividend of 8% per annum and on a winding up to a preferential amount equal to the aggregate of capital paid up and any arrears, deficiency or accrual of the preference dividend. They are redeemable (in whole or in part) at the company's option at any time and (in whole but not in part) at the option of the holder of preference shares at any time on or after 31 August 1998. The holder(s) of the ordinary shares and the holder(s) of the preference shares have equal voting rights; this is achieved by granting each holder of ordinary shares present (in person, by proxy or by corporate representative) and entitled to vote at a general meeting of the company as many votes (whether on a show of hands or on a poll) as there are similarly present and entitled to vote holders of preferences shares, and vice versa.

18 Profit and loss account

	£'000
At 31 January 1997	10,007
Retained profit for the year	184
	<hr/>
At 31 January 1998	10,191
	<hr/>

19 Reconciliation of movements in shareholders' funds

	1998 £'000	1997 £'000
Retained profit for the year	184	355
New share capital issued	500	-
Opening shareholders' funds	23,807	23,452
	<hr/>	<hr/>
Closing shareholders' funds	24,491	23,807
	<hr/>	<hr/>

20 Reconciliation of operating profit to net cash flow from operating activities

	1998 £'000	1997 £'000
Operating profit	447	1,537
Depreciation charge	218	241
Profit on sale of fixed assets	(1)	(10)
Decrease in credit receivables	35,867	40,573
Decrease in amounts owed by parent undertaking	-	12
Increase in amounts owed by subsidiary undertakings	(107,885)	(35,529)
Increase in other debtors and prepayments	(3,535)	(14,656)
Increase in deferred expenditure	(896)	(92)
(Decrease)/increase in trade creditors	(984)	99
Increase/(decrease) in amounts owed to parent and fellow subsidiary undertaking	79,035	(4,533)
(Decrease)/increase in other taxation and social security	(3,560)	8,711
(Decrease)/increase in other creditors	(453)	326
Increase in accruals and deferred income	2,876	6,437
	<hr/>	<hr/>
Net cash inflow from operating activities	1,129	3,116
	<hr/>	<hr/>

21 Reconciliation of net cash flow to movement in net debt

	£'000
Increase in cash in the period	350
Cash raised from issue of preference shares	(500)
Change in net debt	(150)
Net debt at 1 February 1997	1,000
Net debt at 31 January 1998	<u>850</u>

22 Analysis of changes in net debt

	At 1 February 1997 £'000	Cash flows £'000	At 31 January 1998 £'000
Cash at bank and in hand	1,116	349	1,465
Overdrafts	(116)	1	(115)
		350	
8% cumulative redeemable preference shares	-	(500)	(500)
Total	<u>1,000</u>	<u>(150)</u>	<u>850</u>

23 Financial commitments

At 31 January 1998 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	1998 £'000	1997 £'000
Expiring between one and five years	<u>64</u>	<u>64</u>

24 Related party transactions

The company has identified the following transactions which fall to be disclosed under the terms of FRS 8:

- (a) Kingfisher plc, which the directors regard as the company's ultimate controlling party, provides financial and administrative services to members of the group. Material transactions during the year and balances at the year end are as follows:

	Interest payable to Kingfisher plc		Amounts owed to Kingfisher plc	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Floating finance	6,321	4,484	50,877	62,701
Fixed term finance	3,989	3,393	144,976	50,578
	<u>10,310</u>	<u>7,877</u>	<u>195,853</u>	<u>113,279</u>

- (b) The company provides credit facilities to customers of retailing subsidiary and associated undertakings of Kingfisher plc, on which it pays commission to the retailer and receives subsidy in cases where interest receivable from customers is deferred or abated. Material transactions during the year and balances at the year end are as follows:

	Transactions in year		Amounts owed to related party	
	1998 £'000	1997 £'000	1998 £'000	1997 £'000
Kingfisher plc subsidiary undertakings				
Credit facilities provided	(459,636)		3,779	
Subsidies/(Commissions)	1,803		971	
Staples Limited				
Credit facilities provided	(13,306)	(19,345)		137
Subsidies/(Commissions)	535	777		73

25 Parent undertaking

The parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the company is a member is Kingfisher plc. Copies of Kingfisher plc's consolidated financial statements can be obtained from The Secretary, Kingfisher plc, North West House, 119 Marylebone Road, London NW1 5PX.