PRICEWATERHOUSECOOPERS

Registered no: 2243231

Time Retail Finance Limited

Annual report
for the year ended 31 January 1999

Time Retail Finance Limited

Annual report for the year ended 31 January 1999

Time Retail Finance Limited

Directors' report for the year ended 31 January 1999

The directors present their report and the audited financial statements for the year ended 31 January 1999.

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 £31,719,000 (1998: £220,000) after taking into account an exceptional gain of £44,716,000 arising on a change of VAT arrangements. During the year all the company's 500,000 £1 preference shares were redeemed at par in order to make the company a wholly-owned subsidiary of Kingfisher plc. The directors do not propose an equity dividend for the year (1998: £Nil).

Directors and their interests

The directors during the year were as follows:

A H Percival	(Chairman)
J Ferguson	(Resigned 5 March 1999)
J R Gould	
C C B Rogers	
E E Styring	(Appointed 21 July 1998; resigned 31 January 1999)
S Fox	(Appointed 22 September 1998)
H Weir	(Appointed 23 October 1998)
P Rowley	(Appointed 23 October 1998)

Mr P Mackin was appointed to the board on 5 March 1999.

Mr A H Percival and Mr P Rowley are directors of Kingfisher plc, of which the company is a wholly-owned subsidiary. The interests of the other directors holding office at 31 January 1999 in the shares of Kingfisher plc were as follows:

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	Ordinary shares of 12.5p 1 February 1998	31 January 1999
J R Gould	19,000	19,000
C C B Rogers	3,084	84

Apart from the interests disclosed above, no director holding office at 31 January 1999 (other than Messrs Percival and Rowley) had any interest in the share capital or loan stock of Kingfisher plc or any other group company.

On 2 July 1998, following approval at the annual general meeting of Kingfisher plc, the ordinary shares of 25p each in the capital of that company were divided into two ordinary shares of 12.5p each.

The interests of the directors holding office at 31 January 1999 (other than Messrs Percival and Rowley) in options for the shares of Kingfisher plc (adjusted where appropriate to reflect the share split referred to above) were as follows:

	At 1 February 1998 (or date of appointment)	Options granted	Options exercised	Options lapsed	At 31 January 1999
J Ferguson	55,084	12,180	14,590	-	52,674 (a)
J R Gould	72,046	12,180	35,728	-	48,498 (a)
C C B Rogers	178,862	21,656	101,168	-	99,350 (b)
S Fox	-	20,108	-	-	20,108 (c)
H Weir	55,490	20,788	-	-	76,278 (d)

(a) Exercisable at various dates through to 2008 at prices between 222.5p and 549.5p per share.

(b) Exercisable at various dates through to 2008 at prices between 225p and 549.5p per share.

(c) Exercisable in 2008 at 549.5p per share.

(d) Exercisable at various dates through to 2008 at prices between 291.5p and 549.5p per share.

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 1999. 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.

Time Retail Finance Limited

Year 2000

The company is advanced in its plans for Year 2000. A project manager is responsible to the managing director for ensuring that risks have been identified, plans exist to address them and those plans are being followed.

Work on internal computer systems has been largely completed this year and work on supply chain and embedded systems will continue during 1999.

The major risks and uncertainties are those common to all companies and relate to our dependence upon a successful and timely completion of Year 2000 programmes by other commercial entities and government bodies. Our plans to address these include monitoring of such organisations and contingency planning. We are confident that as a result of our preparations we will trade successfully through the millennium period and beyond.

The company charges the costs of rendering existing software Year 2000 compliant to the profit and loss account as they are incurred. These costs to date have been insignificant, with a further £2.5 million to be spent in the future.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors in their stead. A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the board

C.M. Brown

C M Brown
Company Secretary
19th May 1999

Time Retail Finance Limited

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

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established primarily by statue, the Auditing Practices Board and our profession's ethical guidance.

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. 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' emoluments and transactions is not disclosed. We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 affairs of the company as at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Leeds
19 May 1999

Profit and loss account for the year ended 31 January 1999

	Notes	1999 £'000	1998 £'000
Turnover		**45,105**	51,968
Administrative expenses		**(44,946)**	(44,633)
Exceptional gain	4	**44,716**	-
Profit on ordinary activities before interest and taxation		**44,875**	7,335
Interest receivable/(payable)	5	**1,229**	(6,888)
Profit on ordinary activities before taxation	6	**46,104**	447
Taxation on profit on ordinary activities	7	**(14,385)**	(227)
Profit on ordinary activities after taxation		**31,719**	220
Preference dividends	8	**(8)**	(36)
Retained profit for the year	18	**31,711**	184

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 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	**267**	334
Investments	10	**37,509**	37,509
		37,776	37,843
Current assets			
Debtors: amounts falling due within one year	11	**152,942**	256,747
Debtors: amounts falling due after more than one year	12	**44,882**	31,944
Cash at bank and in hand		**5,118**	1,465
		202,942	290,156
Creditors: amounts falling due within one year	13	**(173,517)**	(267,566)
Net current assets		**29,425**	22,590
Total assets less current liabilities		**67,201**	60,433
Creditors: amounts falling due after more than one year	14	**(11,499)**	(35,942)
Net assets		**55,702**	24,491
Capital and reserves			
Called up share capital	17	**13,800**	14,300
Capital redemption reserve	17	**500**	-
Profit and loss account	18	**41,402**	10,191
Equity shareholders' funds		**55,702**	23,991
Non-equity shareholders' funds		**-**	500
Total shareholders' funds	19	**55,702**	24,491

The financial statements on pages 6 to 15 were approved by the board of directors on 19th May 1999 and signed on its behalf by:

Directors

Notes to the financial statements for the year ended 31 January 1999

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.

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 to the profit and loss account 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 22. 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

	1999	1998
	£'000	£'000
Aggregate emoluments	**187**	218

Retirement benefits are accruing to six directors (1998 three directors) under the group's defined benefit scheme. Three directors (1998 one director) exercised options for the shares of Kingfisher plc during the year.

3 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was 30 (1998: 23).

	1999	1998
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	**1,078**	947
Social security costs	**84**	86
Other pension costs	**79**	51
	1,241	1,084

4 Exceptional gain

The exceptional gain represents VAT accrued at 31 January 1998 that was subsequently determined not to be payable following a change in VAT regulations.

5 Interest receivable/(payable)

	1999	1998
	£'000	£'000
Interest payable to parent undertaking	**(12,050)**	(11,376)
Interest receivable from subsidiary undertaking	**13,279**	4,488
	1,229	(6,888)

6 Profit on ordinary activities before taxation

	1999	1998
	£'000	£'000
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of fixed assets	**3**	1
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	**253**	218
Auditors' remuneration for:		
Audit	**28**	36
Other services to the company	**121**	28
Operating lease rentals - assets other than plant and machinery	**64**	64

7 Taxation on profit on ordinary activities

	1999	1998
	£'000	£'000
UK corporation tax at 31% (1998: 31.3%)	**14,385**	227

There was no potential deferred taxation liability at 31 January 1999 or 31 January 1998.

8 Dividends

	1999	1998
	£'000	£'000
Dividend on 8% cumulative redeemable preference shares	**8**	36

9 Tangible fixed assets

	Motor vehicles and office equipment £'000
Cost	
At 31 January 1998	1,010
Additions	208
Disposals	(411)
At 31 January 1999	**807**
Depreciation	
At 31 January 1998	676
Charge for the year	253
Disposals	(389)
At 31 January 1999	**540**
Net book value	
At 31 January 1999	**267**
Net book value	
At 31 January 1998	334

10 Fixed asset investments

	Subsidiary undertakings £'000
Cost and net book value	
At 31 January 1998 and 31 January 1999	**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

	1999 £'000	1998 £'000
Credit receivables	**79,062**	76,422
Amounts owed by subsidiary undertakings	**101,542**	191,473
Other debtors and prepayments	**16,614**	19,059
Deferred expenditure	**606**	1,737
	197,824	288,691
Less: credit receivables due after one year	**(44,882)**	(31,944)
	152,942	256,747

12 Debtors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Credit receivables	**44,882**	31,944

13 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdrafts	**280**	115
Trade creditors	**2,721**	443
Amounts owed to parent and fellow subsidiary undertakings	**99,245**	166,568
Amounts owed to subsidiary undertakings	**37,515**	37,515
Corporation tax	**14,705**	595
Other taxation and social security	**1,340**	45,146
Other creditors	**176**	5
Accruals and deferred income	**17,535**	17,179
	173,517	267,566

14 Creditors: amounts falling due after more than one year

	1999	1998
	£'000	£'000
Amounts owed to parent undertaking	**11,000**	35,000
Accruals and deferred income	**499**	942
	11,499	35,942

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 £73,582,000 (1998: £43,818,000) 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 1998. Particulars of the valuation are contained in the financial statements of Kingfisher plc.

The total pension cost for the company was £79,000 (1998: £51,000).

17 Called up share capital

	1999 £'000	1998 £'000
Authorised		
20,500,000 ordinary shares of £1 each	**20,500**	20,500
500,000 8% cumulative redeemable preferences shares of £1 each	**500**	500
	21,000	21,000
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
	13,800	14,300

During the year the company's 500,000 8% preference shares of £1 each were redeemed for cash at par. An equivalent amount was transferred from the profit and loss account to create a capital redemption reserve.

18 Profit and loss account

	£'000
At 31 January 1998	10,191
Transfer to capital redemption reserve	(500)
Retained profit for the year	31,711
At 31 January 1999	**41,402**

19 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Retained profit for the year	**31,711**	184
Share capital (redeemed)/issued	**(500)**	500
Opening shareholders' funds	**24,491**	23,807
Closing shareholders' funds	**55,702**	24,491

20 Financial commitments

At 31 January 1999 the company had annual commitments under non-cancellable operating leases in respect of land and buildings as follows:

	1999	1998
	£'000	£'000
Expiring between one and five years	**64**	64

21 Related party transactions

The company's ultimate controlling party is Kingfisher plc. The company has taken advantage of the exemption in paragraph 3 (c) of FRS 8 from disclosure of transactions or balances with members of the Kingfisher plc group

22 Ultimate parent company

The company's ultimate parent company is Kingfisher plc.

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.