



ANDERSEN

Helphire Finance Limited

Accounts for the year ended 31 March 2001
together with directors' and auditors' reports

Registered number: 3069954



LD4
COMPANIES HOUSE

LSK8M7X8

0555
31/01/02

Directors' report

For the year ended 31 March 2001

The directors present their report and accounts for the year ended 31 March 2001.

Principal activities

The company's principal activity during the year was the financing of vehicle repairs arising from insurance claims.

Business review

In response to changes in its market place, the company has re-engineered its business model. In a process of negotiation to resolve historic disputes with insurers and paving the way for a co-operative relationship going forward, a significant discount on outstanding claims has been accepted resulting in the result detailed below. The result reflects the write-down on debts and the legal costs associated with the settlement of certain claims as part of the negotiated settlement.

The directors expect the level of credit repair business activity to increase in line with historic trading patterns.

Results

The audited accounts for the year ended 31 March 2001 are set out on pages 4 to 10. The profit for the year after taxation was £2,962,592 (2000, as restated - loss of £4,210,339), after an exceptional bad debt credit of £1,610,564 (2000, as restated - charge of £5,625,000). The directors are unable to recommend the payment of a dividend (2000 - £52 per ordinary share).

The Company had net liabilities of £2,067,783 at 31 March 2001. The accounts have been prepared under the going concern basis due to the availability of financial support from the parent company, Helphire Group plc.

The comparative figures for the year ended 31 March 2000 have been restated in order to correct a fundamental accounting error. Further details of this prior year adjustment are given in Note 13 to the accounts.

Directors and their interests

The directors who served during the year were:

M J Symons

D E Lindsay

No directors held any interest in the share capital of the company at 31 March 2001 or at any time during the year.

The company is 100% owned by Helphire Group plc. The interests of the directors in the shares of Helphire Group plc are disclosed in the accounts of that company.

Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts 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.

Auditors

The directors will place a resolution before the forthcoming annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



D E Lindsay
Director

30 January 2002

To the Shareholders of Helphire Finance Limited

We have audited the accounts on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2, the Company's directors are responsible for the preparation of the accounts, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the UK by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Going concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1b) to the accounts regarding the Company's ability to continue as a going concern and the awaited outcome of certain legal cases, further details of which are given in note 1b) to the accounts. If adverse rulings were finally to be obtained in such cases up to £1.7m of the Group's trade debtors could prove irrecoverable. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion on the accounts we also evaluated the overall adequacy of the presentation of information.

Opinion

In our opinion the accounts give a true and fair view of the Company's state of affairs at 31 March 2001, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berks, RG1 3BD

30 January 2002

Profit and loss account

For the year ended 31 March 2001

	Notes	2001 £	As restated (Note 13) 2000 £
Turnover	2	16,508,355	30,463,265
Cost of sales		(15,265,011)	(27,906,621)
Gross profit		1,243,344	2,556,644
Administrative expenses (net)			
- Exceptional bad debt credit (expense)	3	1,610,564	(5,625,000)
- Other		(527,609)	(341,838)
Total		1,082,955	(5,966,838)
Operating profit (loss)		2,326,299	(3,410,194)
Finance charges	6	-	(172,734)
Profit (loss) on ordinary activities before taxation		2,326,299	(3,582,928)
Tax on profit (loss) on ordinary activities	7	636,293	(627,411)
Profit (loss) on ordinary activities after taxation, being profit for the financial year		2,962,592	(4,210,339)
Dividend proposed	8	-	(1,300,000)
Retained profit (loss) for the year	13	2,962,592	(5,510,339)

All turnover and operating profit (loss) is derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

There were no other recognised gains or losses other than the profit for each financial year.

Statement of total recognised gains and losses

For the year ended 31 March 2001

	2001 £	2000 £
Profit (loss) for the financial year	2,962,592	(4,210,339)
Prior year adjustment (Note 13)	808,000	-
Total gains and losses recognised since the last annual report and accounts	3,770,592	(4,210,339)


The accompanying notes form an integral part of this statement of total recognised gains and losses.

Balance sheet
As at 31 March 2001

	Notes	2001 £	As restated (Note 13) 2000 £
Current assets			
Debtors	9	<u>20,341,994</u>	<u>24,156,346</u>
Creditors: Amounts falling due within one year	10	<u>(22,409,777)</u>	<u>(29,186,721)</u>
Net liabilities		<u>(2,067,783)</u>	<u>(5,030,375)</u>
Capital and reserves			
Called-up share capital	11	25,000	25,000
Profit and loss account	12	<u>(2,092,783)</u>	<u>(5,055,375)</u>
Deficit of equity shareholders' funds	13	<u>(2,067,783)</u>	<u>(5,030,375)</u>

The accompanying notes are an integral part of this balance sheet.

The accounts on pages 4 to 10 were approved by the Board of Directors on 30 January 2002 and signed on its behalf by:



D E Lindsay

Director

Notes to the accounts

As at 31 March 2001

1 Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Going concern

The Company had net liabilities of £2,067,783 at 31 March 2001 and was thus reliant on the financial support of its parent undertaking, Helphire Group plc. The directors believe that it is appropriate to prepare the accounts on the going concern basis because Helphire Group plc has agreed to provide financial support for a period of 12 months from the date of approval of these accounts.

Helphire Group plc is now working in partnership with more than 90% of insurers, although it remains in dispute with a small number of insurers who continue to challenge the legal basis of Helphire's charges. The rulings in recent cases have in many respects been favourable to the Group. However, these are being fast tracked to the Court of Appeal with the outcome expected in early 2002. The directors remain confident of a successful outcome to the case but litigation is always uncertain and it is possible that an adverse judgement could be made. If this were to be the case up to £19m of the Group's trade debtors could prove irrecoverable. The majority of these debtors now relate to business already been conducted under the terms of the ABI protocol.

The accounts do not include any adjustments that might prove necessary in the event of an adverse ruling occurring in the above mentioned legal cases.

c) Income recognition

Credit repair income is recognised on transactions which have been completed during the year together with an appropriate proportion of income in respect of repairs in progress at the year-end.

d) Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Tax losses may be surrendered to fellow group companies to relieve taxable profits. Payments are made for such group relief. Deferred taxation is provided using the liability method on all timing differences but only to the extent that they are expected to reverse in the future without being replaced.

e) Cash flow statement

As permitted by Financial Reporting Standard Number 1 (revised), the company has not prepared a cash flow statement because the consolidated accounts of the ultimate parent undertaking, Helphire Group plc, contain a cash flow statement that includes the cash flows of the company.

2 Turnover

Turnover arises wholly from the principal activities of the company within the United Kingdom.

Notes to the accounts (continued)

3 Exceptional items

The exceptional bad debt credit of £1,610,564 reflects the release of elements of the bad debt provision no longer required following the payment of outstanding trade debtors by Angel Assistance Limited, a fellow subsidiary undertaking, on behalf of the company's customers. The charge of £5,625,000 in the prior year reflected the impact on the collectibility of debtors of the Dimond v Lovell legal case and bulk settlement agreements reached with insurance companies.

4 Auditors' remuneration

The auditors' remuneration has been borne by the ultimate parent company.

5 Staff costs

The average monthly number of employees (including directors) was:

	Number	Number
Office and management	<u>4</u>	<u>4</u>

Their aggregate remuneration comprised:

	2001 £	2000 £
Wages and salaries	32,838	29,403
Social security costs	2,588	2,671
Other pension costs	<u>309</u>	<u>800</u>
	<u>35,735</u>	<u>32,874</u>

The directors' emoluments were paid by Helphire Group plc and are fully disclosed in the accounts of that company.

6 Finance charges

	2001 £	2000 £
Interest payable to group undertakings	<u>-</u>	<u>172,734</u>

Notes to the accounts (continued)

7 Tax on profit (loss) on ordinary activities

	2001 £	2000 £
Corporation tax on profit (loss) for the year	-	627,411
Adjustment in respect at prior year – current taxation	(636,293)	-
	<u>(636,293)</u>	<u>627,411</u>

The directors have not recognised any deferred tax assets arising on losses forward.

8 Dividends proposed

	2001 £	2000 £
Final dividends proposed of £nil (2000: £52) per ordinary share	<u>-</u>	<u>1,300,000</u>

9 Debtors

Amounts falling due within one year:

	2001 £	As restated (Note 13) 2000 £
Trade debtors	4,194,050	20,090,948
Other debtors	99,778	278,493
Amounts due from fellow subsidiary undertakings	16,048,166	3,786,905
	<u>20,341,994</u>	<u>24,156,346</u>

10 Creditors: Amounts falling due within one year

	2001 £	As restated (Note 13) 2000 £
Bank overdraft	271,305	623,441
Trade creditors	595,248	760,409
Amounts owed to group undertakings	20,767,331	23,842,191
Corporation tax	-	636,293
Proposed dividend	-	1,300,000
Other creditors and accruals	775,893	2,024,387
	<u>22,409,777</u>	<u>29,186,721</u>

The bank overdraft is secured on the assets of the Helphire group by way of inter-company cross guarantees.

Notes to the accounts (continued)

11 Called-up share capital

	2001 £	2000 £
<i>Authorised</i>		
500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
<i>Allotted, called-up and fully paid</i>		
25,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

12 Profit and loss account

	2001 £
At beginning of year – as previously reported	(5,863,375)
Prior year adjustment (note 13)	<u>808,000</u>
At beginning of year – as restated	(5,055,375)
Profit for the financial year	<u>2,962,592</u>
Balance at end of year	<u>(2,092,783)</u>

13 Reconciliation of movement in shareholders' funds

	2001 £
At beginning of the year – as previously reported	(5,838,375)
Prior year adjustment (see below)	<u>808,000</u>
At beginning of the year – as restated	(5,030,375)
Retained profit for the year	<u>2,962,592</u>
At end of the year	<u>(2,067,783)</u>

Prior year adjustment to correct a fundamental accounting error

The prior year adjustment to increase opening shareholders' funds by £808,000 is to correct a fundamental error in the prior year accounts. Certain of the Company's trade debtors were not transferred to Angel Assistance Limited, a fellow subsidiary undertaking, upon that company discharging them on behalf of customers. This resulted in the overstatement of the exceptional bad debt charge within administrative expenses of £808,000 in the year ended 31 March 2000. In addition, trade debtors were overstated by £2,810,000 and amounts owed to group undertakings was understated by £3,618,000 at 31 March 2000.

Notes to the accounts (continued)

13 Reconciliation of movement in shareholders' funds (continued)

The effect of the error on the accounts for the year ended 31 March 2000 is summarised below.

Administrative expenses

	As previously reported £	Prior year adjustments £	As restated £
Administrative expenses			
- exceptional	(6,433,000)	808,000	(5,625,000)
- other	(341,838)	-	(341,838)
Total	(6,774,838)	808,000	(5,966,838)
Loss on ordinary activities before taxation	(4,390,908)	808,000	(3,582,928)
Loss for the financial year	(5,018,339)	808,000	(4,210,339)
Balance sheet			
Debtors	23,348,346	808,000	24,156,346
Profit and loss account	(5,863,375)	808,000	(5,055,375)

14 Transactions with related parties

The company has taken advantage of the exemptions available under Financial Reporting Standard 8 with regard to non-disclosure of certain transactions between group companies.

15 Contingent liability

The company has entered into cross guarantees to the group's bank in respect of the borrowings of its parent and fellow subsidiary undertakings. At 31 March 2001 the total contingent liability in respect of group borrowings was £11.2m (2000:£ 21.8m).

16 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is Helphire Group plc, a company incorporated in the UK. The accounts of the group are publicly available and may be obtained from David Lindsay, Helphire Group plc, Beazer House, Lower Bristol Road, Bath, BA2 3BA.