

ADVANTAGE FINANCE LIMITED

Report and Financial Statements

31 January 2001



**Deloitte & Touche
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**

REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D M Coombs
A M V Coombs
G D C Coombs
R E J Fisher
J G Thompson
M G Sizer
C H Redford

SECRETARY

E D Maiden

REGISTERED OFFICE

Royal House
Princes Gate
Homer Road
Solihull
West Midlands
B91 3QQ

BANKERS

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

SOLICITORS

Hammond Suddards Edge
Rutland House
148 Edmund Street
Birmingham
B3 2JR

AUDITORS

Deloitte & Touche
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 2001.

ACTIVITIES

The company's principal activity during the year is the provision of hire purchase car finance.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The first full year of trading showed a profit before tax of £907,000 compared with the small start-up loss last year. We can take some satisfaction in that level of profit in a venture so young. It would have been easy to make the figure the round million, but the standards of quality underwriting are paramount in a lending business. The business is continuing to grow satisfactorily and we anticipate increasing profits. There is already £6.0m of revenue deferred to future periods in respect of advances already made.

DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year after taxation are set out in the profit and loss account on page 6. The directors do not propose to pay a final dividend. Retained profits of £410,684 were transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

D M Coombs
A M V Coombs
G D C Coombs
R E J Fisher
C H Redford
J G Thompson
M G Sizer

The directors retiring by rotation are Messrs D M Coombs, A M V Coombs and G Thompson who, being eligible, offer themselves for re-election.

Messrs D M Coombs, A M V Coombs, G D Coombs and R E J Fisher are also directors of S & U plc, and their interests in the shares of group companies are disclosed in the directors' report of that company. No other director had any interest in the shares of the company or other group companies.

CREDITOR PAYMENT POLICY

The group and the company do not follow any published code of practice but 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.

Trade creditor days for the company were 31 days, calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amount due, at the year end, to trade creditors within one year.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche were appointed the company's auditors during the year. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



E D MAIDEN

Secretary

18-04-01.

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 period. In preparing those financial statements, 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
- prepare the financial statements 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 to 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.



AUDITORS' REPORT TO THE MEMBERS OF

ADVANTAGE FINANCE LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 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 at 31 January 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and Registered Auditors

18 April 2001

PROFIT AND LOSS ACCOUNT
Year ended 31 January 2001

	Note	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
TURNOVER	2	4,967,399	1,238,617
Cost of sales		(1,310,989)	(616,764)
Gross profit		<u>3,656,410</u>	<u>621,853</u>
Administrative expenses		(719,950)	(402,137)
Provision for doubtful debt		(1,364,979)	(282,964)
OPERATING PROFIT/(LOSS)	4	1,571,481	(63,248)
Net interest payable	5	<u>(664,397)</u>	<u>(90,864)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		907,084	(154,112)
Tax charge on profit/(loss) on ordinary activities	6	<u>(340,000)</u>	<u>4,175</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		567,084	(149,937)
Dividends	7	<u>(156,400)</u>	<u>-</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR	14	<u><u>410,684</u></u>	<u><u>(149,937)</u></u>

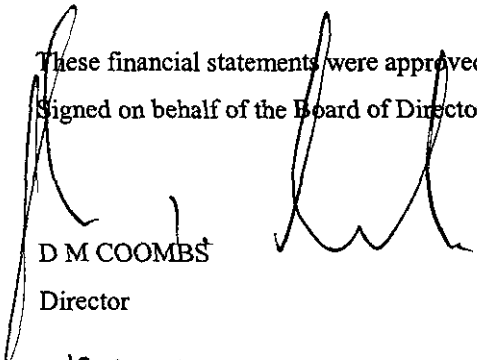
All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year and the loss for the preceding period. Accordingly, no statement of total recognised gains and losses is given.

BALANCE SHEET
31 January 2001

	Note	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible assets	8		257,191		219,456
Investments	9		<u>1</u>		<u>1</u>
			257,192		219,457
CURRENT ASSETS					
Amounts receivable from customers (including £9,549,412 (2000 - £3,788,060) falling due after more than one year)					
	10	13,812,541		5,224,267	
Debtors	11	77,058		12,620	
Cash at bank and in hand		<u>245</u>		<u>1,300</u>	
		13,889,844		5,238,187	
CREDITORS: amounts falling due within one year	12	<u>(13,885,289)</u>		<u>(5,606,581)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>4,555</u>		<u>(368,394)</u>
			<u>261,747</u>		<u>(148,937)</u>
CAPITAL AND RESERVES					
Called up share capital	13		1,000		1,000
Profit and loss account	14		<u>260,747</u>		<u>(149,937)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>261,747</u>		<u>(148,937)</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors


D M COOMBS
Director

18-04-01.

NOTES TO THE ACCOUNTS**Year ended 31 January 2001****1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is exclusive of value added tax and comprises:

- | | |
|----------------------------|--|
| • Hire purchase agreements | Interest received or receivable. |
| • Insurance | Net commissions received and receivable on premiums paid by customers. |
| • Acceptance fees | Amounts received and receivable |

Tangible fixed assets

Depreciation is provided on the cost of tangible fixed assets in order to write off such cost over the expected useful lives as follows:

	From 1 February 2000	To 1 February 2000
Leasehold buildings	20% per annum straight line	1% per annum straight line
Computers	20% per annum straight line	20% per annum straight line
Fixtures, fittings and plant	10% to 20% per annum on reducing balance	10% to 20% per annum on reducing balance
Motor vehicles	25% per annum on reducing balance	25% per annum on reducing balance

Debtors

Bad debts are written off and a specific reserve is made on all debts which are considered doubtful.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amount payable by the company for the financial period.

Leases

Rental costs under operating leases are charged to the profit and loss account when incurred.

2. TURNOVER

Turnover derives from the company's principal activity and arises wholly within the United Kingdom.

NOTES TO THE ACCOUNTS**Year ended 31 January 2001****3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
Directors' emoluments		
Remuneration	264,935	146,589
Pension contributions	15,150	6,924
	<u>280,085</u>	<u>153,513</u>
The emoluments of the highest paid director are £114,000 for the year (2000: £68,000).		
	No	No
Number of directors who are members of a defined contribution pension scheme	<u>3</u>	<u>3</u>
Average number of persons employed		
Management and administration	<u>40</u>	<u>29</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	930,406	512,641
Social security costs	102,007	47,640
Other pension costs	63,534	19,632
	<u>1,095,947</u>	<u>579,913</u>

4. OPERATING PROFIT/(LOSS)

	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
Operating profit/(loss) is after charging:		
Depreciation:		
Owned assets	75,042	26,859
Rentals under operating leases:		
Other operating leases	66,957	16,338
Auditors' remuneration:		
Audit fees	<u>9,000</u>	<u>9,000</u>

NOTES TO THE ACCOUNTS

Year ended 31 January 2001

5. NET INTEREST PAYABLE

	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
Bank interest payable	664,397	90,864

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
United Kingdom corporation tax at 30% (2000 – 31%) based on the profit for the year	340,000	-
Group relief	-	(4,175)
	340,000	(4,175)

The current year tax charge is disproportionately high due to timing differences not provided for.

The amounts provided in the accounts and the amounts not provided are as follows:

	31 January 2001		31 January 2000	
	Provided £	Not Provided £	Provided £	Not provided £
Accelerated capital allowances	-	1,925	-	1,458
Other short term differences	-	(105,519)	-	(43,396)
	-	(103,594)	-	(41,938)

7. DIVIDENDS

	Year ended 31 January 2001 £	Period from 14 May 1999 to 31 January 2000 £
Equity dividends paid - £156.40 per share (2000 - £Nil)	156,400	-

NOTES TO THE ACCOUNTS
Year ended 31 January 2001

8. TANGIBLE FIXED ASSETS

	Leasehold buildings £	Motor vehicles £	Fixtures, fittings and computers £	Total £
Cost				
At 1 February 2000	5,027	150,397	90,891	246,315
Additions	2,445	76,825	33,507	112,777
At 31 January 2001	7,472	227,222	124,398	359,092
Accumulated depreciation				
At 1 February 2000	519	16,265	10,075	26,859
Charge for the year	1,372	51,054	22,616	75,042
At 31 January 2001	1,891	67,319	32,691	101,901
Net book value				
At 31 January 2000	4,508	134,132	80,816	219,456
At 31 January 2001	5,581	159,903	91,707	257,191

9. INVESTMENTS

£

Shares in subsidiary companies

At 1 February 2000 and 31 January 2001

1

Interests in subsidiaries

The principal subsidiary of the company, which is wholly owned directly by the company, operates in Great Britain and is incorporated in England and Wales.

Subsidiary

Advantage Motor Finance Limited

Principal activity

Car finance

The company has not prepared consolidated accounts as it is a wholly-owned subsidiary of S&U plc, a company registered in England and Wales, and the ultimate parent company which prepares consolidated financial statements.

NOTES TO THE ACCOUNTS

Year ended 31 January 2001

10. AMOUNTS RECEIVABLE FROM CUSTOMERS

	2001 £	2000 £
Gross amounts receivable from customers	15,128,371	5,624,400
Less: Provision for doubtful debt	(1,315,830)	(400,133)
	<u>13,812,541</u>	<u>5,224,267</u>
Amounts receivable falling due after one year included above	<u>9,549,412</u>	<u>3,788,060</u>
Amounts receivable under finance leases and hire purchase agreements included above	<u>13,784,327</u>	<u>5,161,535</u>
Cost of assets acquired during the period to be leased Under finance leases or hire purchase agreements	<u>10,132,745</u>	<u>4,275,198</u>
Rentals received during the period in respect of finance leases and hire purchase agreements	<u>4,743,725</u>	<u>522,546</u>

11. DEBTORS

	2001 £	2000 £
Other debtors	53,028	945
Prepayments and accrued income	24,030	7,500
Group relief receivable	-	4,175
	<u>77,058</u>	<u>12,620</u>

All the above amounts fall due within one year.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft	3,082,433	5,191,165
Trade creditors	80,517	162,703
Amounts due to parent company	9,999,000	55,112
Corporation tax payable	340,000	-
Other taxation and social security	39,086	4,062
Other creditors	71,603	102,162
Accruals and deferred income	272,650	91,377
	<u>13,885,289</u>	<u>5,606,581</u>

NOTES TO THE ACCOUNTS
Year ended 31 January 2001

13. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised, called up, allotted and fully paid 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

14. PROFIT AND LOSS ACCOUNT

	£
At 1 February 2000	(149,937)
Retained profit for the year	<u>410,684</u>
	<u>260,747</u>

15. FINANCIAL COMMITMENTS

At 31 January 2001, the company had no capital commitments.

Operating lease commitments

At 31 January 2001, the company was committed to making the following payments during the next year in respect of operating leases on property:

	2001 £	2000 £
Leases expiring: After 5 years	<u>20,750</u>	<u>20,750</u>

16. CONTINGENT LIABILITIES

The company has entered into cross-guarantee arrangements with respect to the bank overdrafts of certain other group companies. The maximum exposure under this arrangement at 31 January 2001 was £14,778,223.

17. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No. 8 "Related Party Transactions", transactions with other group undertakings within and investee related parties of S&U plc have not been disclosed in these financial statements.

18. PENSION COMMITMENTS

The company has no commitments for pensions that have not been fully funded outside the company.

19. ULTIMATE PARENT COMPANY

The company is a subsidiary of S & U PLC, a company incorporated in England. Copies of the group accounts of S & U PLC may be obtained from its registered office at Royal House, Prince's Gate, Solihull, West Midlands B91 3QQ.