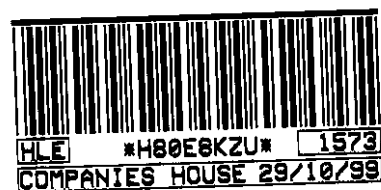


**ARGENT COMMERCIAL SERVICES LIMITED**

**31 DECEMBER 1998**

**FINANCIAL STATEMENTS**



Registered Number : 2129734

## **ARGENT COMMERCIAL SERVICES LIMITED**

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**ARGENT COMMERCIAL SERVICES LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

The directors submit their report and accounts for the year ended 31 December 1998. Comparative amounts are for the six months to 31 December 1997.

1. Directors' responsibilities

Company law requires us as directors to prepare financial statements for each financial period 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 financial statements we 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 financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

2. Principal activity and review of the business

The company's principal activities during the period were the provision of debt factoring services. The directors are satisfied with the result for the period and consider the company to be in a strong position for the future.

3. Results and dividends

The profit for the period, after taxation, amounted to £701,018 (1997 : £130,723).

The directors recommend the payment of a final ordinary dividend of £350,000, leaving £351,018 to be transferred to reserves.

**ARGENT COMMERCIAL SERVICES LIMITED  
DIRECTORS' REPORT FOR THE YEAR ENDED  
31 DECEMBER 1998**

4. Directors and their interests

The directors of the company at 31 December 1998 were:

J E G Cran  
G Clappison  
N Errington  
I Harlow  
H M Melody  
S M Robertson

There were no changes in directorships during the period.

The interests of the directors in the issued share capital of the ultimate parent undertaking, Cattles plc, according to the register kept under Section 325 of the Companies Act 1985, are shown in the report and accounts of the immediate parent undertaking, Reedham Factors Ltd, so far as Mr I Harlow is concerned, and in the accounts of the ultimate parent undertaking so far as Messrs J E G Cran and G Clappison are concerned. The remaining directors do not have any interests in the share capital of Cattles plc.

5. Year 2000

A Year 2000 working party was established in early 1997 by the Cattles plc group to co-ordinate the replacement, modification and testing of the group's computer systems and microprocessor controlled equipment to ensure that they will function effectively beyond the Year 2000 date change. All systems are scheduled to have been tested and, where appropriate, made compliant by the end of June 1999.

The working party is also contacting external business partners to obtain assurance regarding the level of compliance of their systems. However, we are unable to be certain of avoiding business disruption that may be caused by either internal or external systems and, accordingly, contingency plans are being developed to minimise the impact in the event of any such occurrence.

The costs of Year 2000 compliance have been largely absorbed within the company's ongoing programme of computer systems improvement and replacement. Incremental Year 2000 costs are being written off as they are incurred.

**ARGENT COMMERCIAL SERVICES LIMITED  
DIRECTORS' REPORT FOR THE YEAR ENDED  
31 DECEMBER 1998**

6. Auditors

Following their merger with Coopers & Lybrand to form the new firm of PricewaterhouseCoopers on 1 July 1998, Price Waterhouse resigned as auditors of the company on 1 September 1998. The board appointed PricewaterhouseCoopers to fill the casual vacancy thus arising to act as auditors of the company from 1 September 1998. The company has passed an elective resolution to dispense with the obligation to re-appoint auditors annually.

By order of the board



P J DOHERTY  
Secretary

Registered Office:

Kingston House  
Centre 27 Business Park  
Woodhead Road  
Birstall  
Batley  
WF17 9TD

10 March 1999

**AUDITORS' REPORT TO THE MEMBERS OF  
ARGENT COMMERCIAL SERVICES LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 1998**

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the Annual Report, including, as described on page 1, the financial statements. Our responsibilities, as independent auditors, are established by statute, 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' remuneration 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.

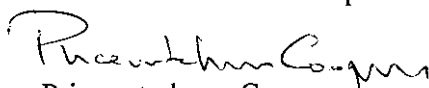
**BASIS OF OPINION**

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 the company's affairs at 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and  
Registered Auditors  
9 Bond Court  
Leeds  
LS1 2SN

10 March 1999

**ARGENT COMMERCIAL SERVICES LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

|  | Notes | Year to<br>31 December<br>1998 | 6 months to<br>31 December<br>1997 |
|--|-------|--------------------------------|------------------------------------|
| <b>Turnover</b>                                      | 2     | 2,616,678                      | 962,011                            |
| Cost of Sales  |       | 588,296                        | 370,853                            |
|  |       | <hr/>                          | <hr/>                              |
| Gross profit   |       | 2,028,382                      | 591,158                            |
| Administration expenses                              |       | 1,009,106                      | 432,805                            |
|  |       | <hr/>                          | <hr/>                              |
| <b>Profit on ordinary activities before taxation</b> | 2, 3  | 1,019,276                      | 158,353                            |
| Tax on profit on ordinary activities                 | 6     | 318,258                        | 27,630                             |
|  |       | <hr/>                          | <hr/>                              |
| <b>Profit on ordinary activities after taxation</b>  |       | 701,018                        | 130,723                            |
| Dividends  | 7     | 350,000                        | 99,500                             |
|  |       | <hr/>                          | <hr/>                              |
| <b>Retained profit for the year</b>                  | 13    | <u>£351,018</u>                | <u>£31,223</u>                     |

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

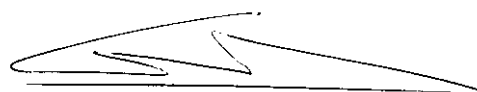
There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

*There were no acquisitions and no discontinued activities during the year.*

The annexed notes form part of these financial statements.

**ARGENT COMMERCIAL SERVICES LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 1998**

|  | Notes | £ | 1998             | £                      | £                | 1997 | £                     |
|--|-------|---|------------------|------------------------|------------------|------|-----------------------|
| <b>Fixed Assets</b>                            |       |   |                  |                        |                  |      |                       |
| Tangible assets                                | 8     |   |                  | 135,430                |                  |      | 122,665               |
| <b>Current Assets</b>                          |       |   |                  |                        |                  |      |                       |
| Customers' accounts receivable:                |       |   |                  |                        |                  |      |                       |
| Amounts falling due within one year            |       |   | 7,435,645        |                        | 5,615,639        |      |                       |
| Debtors  | 9     |   | 21,246           |                        | 19,229           |      |                       |
|  |       |   | <u>7,456,891</u> |                        | <u>5,634,868</u> |      |                       |
| Creditors: amounts falling due within one year | 10    |   | 7,177,083        |                        | 5,692,663        |      |                       |
|  |       |   | <u>7,177,083</u> |                        | <u>5,692,663</u> |      |                       |
| <b>Net current assets/(liabilities)</b>        |       |   |                  | 279,808                |                  |      | (57,795)              |
| <b>Total assets less current liabilities</b>   |       |   |                  | <u>415,238</u>         |                  |      | <u>64,870</u>         |
| Provisions for liabilities and charges         | 11    |   |                  | 2,980                  |                  |      | 3,630                 |
|  |       |   |                  | <u>2,980</u>           |                  |      | <u>3,630</u>          |
| <b>Net assets</b>                              |       |   |                  | <u><u>£412,258</u></u> |                  |      | <u><u>£61,240</u></u> |
| <b>Capital and Reserves</b>                    |       |   |                  |                        |                  |      |                       |
| Called up share capital                        | 12    |   |                  | 30,000                 |                  |      | 30,000                |
| Profit and loss account                        | 13    |   |                  | 382,258                |                  |      | 31,240                |
|  |       |   |                  | <u>382,258</u>         |                  |      | <u>31,240</u>         |
| <b>Shareholders' funds</b>                     | 14    |   |                  | <u><u>£412,258</u></u> |                  |      | <u><u>£61,240</u></u> |

  
G CLAPPISON - Director

Approved by the Board on 10 March 1999.

The annexed notes form part of these financial statements.

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

**1. Accounting policies**

The principal accounting policies are set out below and have remained unchanged from the previous period.

**Accounting convention**

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

**Turnover**

Turnover represents the invoiced amount of interest and factoring charges, exclusive of value added tax.

**Customers' accounts receivable**

Customers' accounts receivable consist of amounts outstanding under debt factoring agreements, including repayments not yet due at the year end, less adequate provisions for bad and doubtful debts based upon the individual assessment of accounts.

**Depreciation**

Depreciation on all tangible fixed assets is calculated on a straight line basis by reference to the expected life and residual value of the assets concerned at the following principal rates:

|                       |                      |
|-----------------------|----------------------|
| Fixtures and fittings | 10% to 20% per annum |
| Motor vehicles        | 25% per annum        |

**Deferred taxation**

Deferred taxation represents so much of the timing differences at the current rate of corporation tax between profits as computed for taxation purposes and profits as stated in the accounts, which, in the opinion of the directors, may, on a group basis, result in a corporation tax liability or benefit in the foreseeable future.

**Foreign currencies**

All balance sheet items denominated in foreign currency are translated into sterling at rates of exchange ruling at the balance sheet date. Income and expenditure arising in foreign currencies is translated into sterling at the rates of exchange ruling at the end of the month in which the transaction occurred. All differences are taken to the profit and loss account.

**Operating lease contracts**

Rentals payable under operating leases are charged to the profit and loss account over the period of the lease on a straight line basis.

**Pension funding**

Payments made to personal pension policies of certain employees are charged to the profit and loss account in the year of payment.

In addition, the company is a member of a group which operates a defined contribution scheme introduced in 1998. The pension cost in respect of this scheme is the contributions paid.

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

2. **Turnover and profit on ordinary activities before taxation**

Turnover and profit on ordinary activities is attributable to the provision of debt factoring services, wholly within the United Kingdom.

3. **Profit on ordinary activities before taxation**

| This is stated after charging/(crediting):                            | Year to<br>31 December<br>1998<br>£ | 6 months to<br>31 December<br>1997<br>£ |
|---|-------------------------------------|---|
| Interest on bank and other short term borrowing<br>(in cost of sales) | 473,111                             | 197,967                                 |
| Auditors' remuneration  | 6,000                               | 6,000                                   |
| Depreciation of owned assets  | 45,500                              | 17,325                                  |
| Operating lease rentals - land and buildings                          | 41,748                              | 22,032                                  |
| Profit on disposal of tangible fixed assets                           | (286)                               | -                                       |

4. **Directors' emoluments**

|   | Year to<br>31 December<br>1998<br>£ | 6 months to<br>31 December<br>1997<br>£ |
|---|-------------------------------------|---|
| Aggregate emoluments                            | 251,100                             | 80,133                                  |
| Company contributions to money purchase schemes | 16,042                              | 6,602                                   |

| The emoluments of the highest paid director were: | Year to<br>31 December<br>1998<br>£ | 6 months to<br>31 December<br>1997<br>£ |
|---|-------------------------------------|---|
| Aggregate emoluments                              | 99,645                              | 35,830                                  |
| Company contributions to money purchase schemes   | 6,210                               | 3,000                                   |

The directors of the company who are also directors of the ultimate holding company receive no emoluments in respect of their services for Argent Commercial Services Limited.

In addition, Mr I Harlow is also a director of the immediate holding company, Reedham Factors Limited. He receives no emoluments in respect of his services for Argent Commercial Services Limited.

Two directors exercised share options in the shares of Cattles plc during the year and two directors received shares under the Cattles plc Restricted Share Scheme.

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

**4. Directors' emoluments (continued)**

|  | <b>31 December<br/>1998<br/>No</b> | <b>31 December<br/>1997<br/>No</b> |
|--|------------------------------------|------------------------------------|
| The number of directors accruing retirement benefits under pension schemes is: |                                    |                                    |
| Under defined benefit schemes  | 3                                  | 3                                  |
| Under money purchase schemes   | 3                                  | 3                                  |
|  | <u>=====</u>                       | <u>=====</u>                       |

**5. Staff costs**

|                       | <b>Year to<br/>31 December<br/>1998<br/>£</b> | <b>6 months to<br/>31 December<br/>1997<br/>£</b> |
|-----------------------|---|---|
| Wages and salaries    | 583,892                                       | 217,157   |
| Social security costs | 48,237  | 22,293  |
| Other pension costs   | 17,063  | 8,642   |
|                       | <u>£649,192</u>                               | <u>£248,092</u>                                   |

|  | <b>Year to<br/>31 December<br/>1998<br/>No</b> | <b>6 months to<br/>31 December<br/>1997<br/>No</b> |
|--|--|--|
| The average weekly number of employees during the period was as follows: |  |  |
| Directors, management and administration                                 | 26   | 21   |
|  | <u>=====</u>                                   | <u>=====</u>                                       |

**6. Tax on profit on ordinary activities**

|   | <b>Year to<br/>31 December<br/>1998<br/>£</b> | <b>6 months to<br/>31 December<br/>1997<br/>£</b> |
|---|---|---|
| Based on the profit for the period:       |   |   |
| Corporation tax at 31% (1997 : 31.5%)     | 320,000                                       | 24,000  |
| Deferred taxation (note 11)               | (650)   | 3,630   |
|   | <u>319,350</u>                                | <u>27,630</u>                                     |
| Taxation over provided in previous years: |   |   |
| Corporation tax                           | (1,092)                                       | -   |
|   | <u>£318,258</u>                               | <u>£27,630</u>                                    |

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

**7. Dividends**

|                  | Year to<br>31 December<br>1998<br>£ | 6 months to<br>31 December<br>1997<br>£ |
|------------------|-------------------------------------|---|
| Interim          | -                                   | 49,500                                  |
| Final - proposed | 350,000                             | 50,000                                  |
|                  | <u>£350,000</u>                     | <u>£99,500</u>                          |

**8. Tangible fixed assets**

|                       | Total<br>£      | Motor<br>vehicles<br>£ | Fixtures and<br>fittings<br>£ |
|-----------------------|-----------------|------------------------|-------------------------------|
| <b>Cost</b>           |                 |                        |                               |
| At 1 January 1998     | 171,468         | 82,060                 | 89,408                        |
| Additions             | 66,515          | 42,900                 | 23,615                        |
| Disposals             | (22,000)        | (22,000)               | -                             |
| At 31 December 1998   | <u>215,983</u>  | <u>102,960</u>         | <u>113,023</u>                |
| <b>Depreciation</b>   |                 |                        |                               |
| At 1 January 1998     | 48,803          | 31,513                 | 17,290                        |
| Charge for the period | 45,500          | 24,084                 | 21,416                        |
| Disposals             | (13,750)        | (13,750)               | -                             |
| At 31 December 1998   | <u>80,553</u>   | <u>41,847</u>          | <u>38,706</u>                 |
| <b>Net book value</b> |                 |                        |                               |
| At 31 December 1998   | <u>£135,430</u> | <u>£61,113</u>         | <u>£74,317</u>                |
| At 31 December 1997   | <u>£122,665</u> | <u>£50,547</u>         | <u>£72,118</u>                |

**9. Debtors**

|                                | 1998<br>£ | 1997<br>£ |
|--------------------------------|-----------|-----------|
| Prepayments and accrued income | 21,246    | 19,229    |

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 1998**

**10. Creditors : Amounts falling due within one year**

|                                    | 1998<br>£         | 1997<br>£         |
|------------------------------------|-------------------|-------------------|
| Bank borrowings                    | 851,032           | 218,762           |
| Trade Creditors                    | 335,800           | 223,862           |
| Amounts owed to group undertakings | 4,985,706         | 4,971,345         |
| Corporation tax                    | 321,806           | 51,000            |
| Other taxes and social security    | 62,272            | 47,102            |
| Other creditors                    | 116,113           | 58,548            |
| Accruals                           | 154,354           | 72,044            |
| Proposed dividend                  | 350,000           | 50,000            |
|                                    | <u>£7,177,083</u> | <u>£5,692,663</u> |

The amount shown as bank borrowings represents the proportion of the total group overdraft and both facilities of Cattles plc currently utilised by this company.

**11. Provisions for liabilities and charges**

|  | 1998<br>£     | 1997<br>£      |
|--|---------------|----------------|
| <b>Deferred taxation</b>   |               |                |
| Deferred taxation is provided in full and is made up as follows: |               |                |
| Accelerated capital allowances                                   | <u>£2,980</u> | <u>£ 3,630</u> |
| <b>Movement in provision</b>                                     |               |                |
| As at 1 January 1998   | 3,630         |                |
| Transfer to profit and loss account                              | (650)         |                |
| As at 31 December 1998   | <u>£2,980</u> |                |

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED**  
**31 DECEMBER 1998**

12. **Share capital**

|                            | Authorised   |              | Allotted, called up and fully paid |              |
|----------------------------|--------------|--------------|------------------------------------|--------------|
|                            | 1998<br>No   | 1997<br>No   | 1998<br>£                          | 1997<br>£    |
| Ordinary shares of £1 each | 50,000       | 50,000       | 30,000                             | 30,000       |
|                            | <u>=====</u> | <u>=====</u> | <u>=====</u>                       | <u>=====</u> |

13. **Profit and loss account**

|                              | £               |
|------------------------------|-----------------|
| At 1 January 1998            | 31,240          |
| Retained profit for the year | 351,018         |
|                              | <u>=====</u>    |
| At 31 December 1998          | <u>£382,258</u> |

14. **Reconciliation of movements in shareholders' funds**

|   | Year to<br>31 December<br>1998<br>£ | 6 months to<br>31 December<br>1997<br>£ |
|---|-------------------------------------|---|
| Profit for the period                   | 701,018                             | 130,723                                 |
| Dividends                               | (350,000)                           | (99,500)                                |
|   | <u>=====</u>                        | <u>=====</u>                            |
| Net addition to shareholders' funds     | 351,018                             | 31,223                                  |
| Shareholders' funds at 1 January 1998   | 61,240                              | 30,017                                  |
|   | <u>=====</u>                        | <u>=====</u>                            |
| Shareholders' funds at 31 December 1998 | <u>£412,258</u>                     | <u>£61,240</u>                          |

15. **Operating lease obligations**

At 31 December 1998 the company had annual commitments under operating leases relating to land and buildings as follows:

|                                | 1998<br>£     | 1997<br>£     |
|--------------------------------|---------------|---------------|
| Operating leases which expire: |               |               |
| Between two and five years     | <u>41,748</u> | <u>41,748</u> |

**ARGENT COMMERCIAL SERVICES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED**  
**31 DECEMBER 1998**

**16. Contingent liabilities**

The company, together with other companies of the group, has entered into an unlimited multilateral bank guarantee.

**17. Cash flow statement**

As the company is a wholly owned subsidiary undertaking of Cattles plc, a company registered in England and Wales, a cash flow statement has not been prepared. The ultimate parent company prepares consolidated accounts which include a consolidated cash flow statement dealing with the cash flows of the group.

**18. Related party transactions**

Advantage has been taken of the exemption under Financial Reporting Standard 8 (FRS 8) "Related Party Transactions" not to disclose transactions with entities that are part of the Cattles plc group on the grounds that all the voting rights of the company are controlled by Cattles plc.

**19. Ultimate parent undertaking**

The ultimate parent undertaking and controlling party of this company is Cattles plc, registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Cattles plc. The consolidated financial statements of this group are available to the public and may be obtained from the Registered Office, Kingston House, Centre 27 Business Park, Woodhead Road, Birstall, Batley, WF17 9TD.