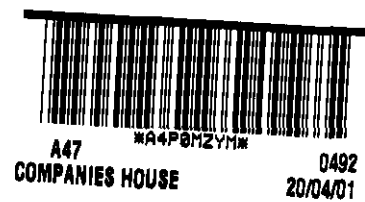


# Beneficial Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000

Company number  
829505



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## **Directors' Report**

*The Directors present their annual report together with the audited financial statements for the year ended 31 December 2000.*

### **Principal activity**

The Company is a member of the Household International (U.K.) Limited Group of companies.

### **Business review**

The Directors believe that the Company will not trade for the foreseeable future.

Historically the principal activity of the Company was the provision of Banking services. As a consequence of the HFC Bank Act 1999 which took effect on 30 September 1999, the business, including the majority of all assets and liabilities of Beneficial Limited (formerly Beneficial Bank PLC), were transferred to HFC Bank plc for nil consideration. The investment by Beneficial Limited in HFC Bank plc was transferred to Household International (U.K.) Limited for nil consideration (see note 2h). The profit and loss results for the period 1 January 1999 to 30 September 1999 during which the company traded are shown in these accounts but are also included in HFC Bank plc's results for 1999 (see note 2). On 30 September 1999 Beneficial Bank PLC returned its banking licence to the Financial Services Authority and on 13 October 1999 the Company re-registered as a private limited company and its name was changed to Beneficial Limited. Since 30 September 1999 the Company has not traded.

### **Financial results and dividends**

The Directors do not recommend the payment of a dividend (1999 Nil).

### **Directors and their interests**

The Directors of the Company who served during the year were:-

A R Hill  
R V Lovering

None of the Directors had at any time during the year any disclosable interest in the shares or loan stock of the Company or any Group Company incorporated within Great Britain.

### **Directors' responsibilities**

Company law requires the Directors to ensure that financial statements are prepared 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 year. In those financial statements, the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently;
- judgements and estimates made are reasonable and prudent;
- a statement is given as to whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking all reasonable steps to ensure that the assets of the Company are safeguarded and that steps are taken for the prevention and detection of fraud and other irregularities.

In exercising these duties and responsibilities the Directors take account of the advice given to them and obtained by them. The Directors regularly review reports on the systems and controls which are established to give reasonable assurance that the business is being conducted in accordance with the above principles.

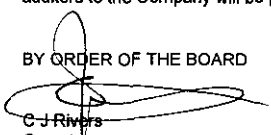
### **Euro**

Since the Company is dormant, the introduction of the Euro has had no effect.

### **Auditors**

In accordance with Section 385 of the Companies Act 1985 (as amended), a resolution proposing the re-appointment of Arthur Andersen as auditors to the Company will be put to the next General meeting of the Company at which financial statements are laid.

BY ORDER OF THE BOARD

  
C J Rivers  
Secretary  
14 March 2001

## **Auditors' Report**

### **To the Shareholders of Beneficial Limited**

We have audited the financial statements on pages 4 to 7 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

### **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 circumstances of the Company, 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 December 2000 and of the Company's results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London WC2R 2PS  
14 March 2001

**Profit and Loss Account****Year ended 31 December**

	Notes	2000 £000	1999 £000
Interest receivable:			
Other interest receivable and similar income		0	106,723
Less: interest payable		0	(43,751)
Net interest income		<u>0</u>	<u>62,972</u>
Fees and commission receivable		0	15,415
Less: fees and commission payable		0	(1,293)
Other operating income		0	3,261
Operating income		<u>0</u>	<u>80,355</u>
Administrative expenses		0	(18,338)
Depreciation	2b	0	(1,103)
Other operating charges:			
Provision for bad and doubtful debts	2a	0	(34,000)
Loss on transfer of assets and liabilities		0	(199,488)
Loss on ordinary activities before taxation		<u>0</u>	<u>(172,574)</u>
Taxation on loss on ordinary activities		0	0
Loss on ordinary activities after taxation and retained loss for the year	6	<u>0</u>	<u>(172,574)</u>

Movements in shareholders' funds are shown in note 6.

The only recognised gains or losses in the accounting period are those disclosed in the profit and loss account.

*The notes on pages 6 to 7 form an integral part of these financial statements*

**Balance Sheet**

31 December		2000 £000	1999 £000
	Notes		
Net assets		<u>0</u>	<u>0</u>
Called up share capital	5	196,000	196,000
Capital reserve	6	32,500	32,500
Profit and loss account	6	(228,500)	(228,500)
Shareholders' funds - equity interest	6	<u>0</u>	<u>0</u>
Total liabilities and shareholders' funds		<u>0</u>	<u>0</u>

The financial statements on pages 4 to 7 were approved by the Board of Directors on 14 March 2001 and are signed on its behalf by:

R V Lovering

Director



The notes on pages 6 to 7 form an integral part of these financial statements

## Notes to the Financial Statements

### 1 Principal accounting policies

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout both this year and the preceding year, unless otherwise indicated.

#### General

##### (a) Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting. The Company is not required to comply with the accounting and disclosure provisions of Part VII, Chapter I of the Companies Act 1985. These financial statements have been prepared in compliance with Part VII, Chapter II, and Schedule 9 to the Companies Act 1985 in order to implement the EC Bank Accounts Directive and in accordance with applicable Accounting Standards and Statements of Recommended Accounting Practice. Historical cost profit is not materially different to the profit on ordinary activities before and after taxation as shown in the profit and loss account for both this year and the preceding year.

As a consequence of the HFC Bank Act 1999 which took effect on 30 September 1999, the assets and liabilities of Beneficial Limited were transferred to HFC Bank plc.

Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), the Company has not prepared a cash flow statement because its ultimate holding company, Household International, Inc., which is incorporated in the United States of America, has prepared consolidated accounts including a cash flow statement which include the results of the Company for the year end.

##### (b) Taxation

Corporation tax payable is provided on taxable profits at the current rate of tax. Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the financial statements. It is computed using the liability method, whereby such taxation is determined by applying the rate of tax likely to be in force at the time of the reversal to those timing differences which, in the opinion of the Directors, are likely to reverse in the foreseeable future.

##### (c) Earnings/Turnover

- (i) Interest income is earned over the life of each loan using earnings rules appropriate to the type of each loan agreement.
- (ii) Income is recognised on the accruals basis. Income recognition on accounts more than 90 days in arrears is suspended.
- (iii) Insurance commission arising on insurance sold in relation to instalment credit receivables is recognised on the accruals basis, using earnings rules appropriate to the type of insurance written.

##### (d) Setting-up costs including introductory commission

- (i) Direct loan origination costs on set up are charged against income over the life of the loans.
- (ii) Introductory commissions are spread using an appropriate method so as to recognise this cost fairly over the life of the assets.

### 2 Loss on ordinary activities before taxation

	2000 £000	1999 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):-		
Provisions -see note (a) below	0	34,000
Interest on subordinated loans	0	3,096
(a) Provisions		
Balance at 1 January	0	24,794
Increase in provision (net of write offs and recoveries during the year nil (1999 £36.7 million))	0	(2,711)
Release on transfer of assets and liabilities	0	(22,083)
Balance at 31 December	<u>0</u>	<u>0</u>
(b) Depreciation -owned fixed assets	<u>0</u>	<u>1,103</u>

The Directors received no emoluments during the year (1999 £38,000)

The auditors' remuneration has been borne by the holding company.

The Company has taken advantage of the exemption in Financial Reporting Standard 8 to not disclose intercompany transactions within the Household International (U.K.) Limited Group.

The loss on ordinary activities before taxation for 1999 is comprised as follows:-

Results for the period 1 January 1999 to 30 September 1999	26,914
Investment in HFC Bank plc transferred to Household International (U.K.) Limited for nil consideration (see note 1a).	(52,309)
Transfer of the business and all other assets and liabilities to HFC Bank plc for nil consideration (see note 1a).	(147,179)
	<u>(172,574)</u>

### 3 Directors and highest paid Director

Aggregate emoluments as Directors	0	36
Company pension contributions to money purchase schemes	0	2
	<u>0</u>	<u>38</u>

## Notes to the financial statements continued

## 4 Provision for liabilities and charges - Deferred taxation

The movements on the provision for deferred taxation are as follows:

	2000 £000	1999 £000
At 1 January	0	739
Transfer of liabilities	0	(739)
At 31 December	<u>0</u>	<u>0</u>

The full amount of deferred taxation has been provided in these accounts.

## 5 Share capital

	2000 £000	1999 £000
Authorised		
300,000,000 Ordinary Shares of £1 each	<u>300,000</u>	<u>300,000</u>
Issued, allotted and fully paid up		
196,000,000 Ordinary Shares of £1 each	<u>196,000</u>	<u>196,000</u>

## 6 Reserves

	Profit and loss account		Capital reserve	
	2000 £000	1999 £000	2000 £000	1999 £000
At 1 January	(228,500)	(55,926)	32,500	32,500
Retained loss for year	0	(172,574)	-	-
At 31 December	<u>(228,500)</u>	<u>(228,500)</u>	<u>32,500</u>	<u>32,500</u>

## Reconciliation of shareholders' funds

	2000 £000	1999 £000
Retained loss for year	0	(172,574)
Net reduction to shareholders' funds	<u>0</u>	<u>(172,574)</u>
Opening shareholders' funds at 1 January	0	172,574
Closing shareholders' funds at 31 December	<u>0</u>	<u>0</u>

## 7 Holding company

The Company's immediate holding company is Household International (U.K.) Limited, which is a wholly owned subsidiary of Household Global Funding, Inc. The ultimate holding company and the largest Group in which Beneficial Limited is consolidated is Household International, Inc. which is incorporated in the State of Delaware, United States of America. The smallest Group in which it is consolidated is that headed by Household International (U.K.) Limited which is registered in England and operates in Great Britain. The consolidated financial statements of these groups are available from North Street, Winkfield, Windsor, Berkshire, SL4 4TD.