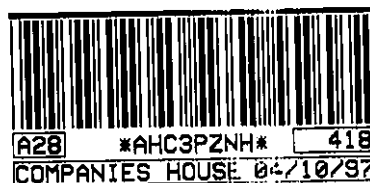


***First Retail Finance Ltd***

***Report and Accounts***

***Year Ended 31st January 1997***



***Registration Number: 2862551***

## ***Index***

### ***Page Number***

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3	Directors Responsibilities
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***First Retail Finance Limited***  
***Report of the Directors***  
***For the Year Ended 31st January 1997***

The Directors submit their Report together with the audited accounts for the year ended 31st January 1997.

***Principal Activity***

The company's principal activity continues to be the provision of finance and associated services.

***Review of Operations***

The accounts of the company show a profit after taxation for the year of £189,000.

With effect from 1 March 1996 the trade debt of the personal loan operation of the company were sold for cash consideration of £7,340,625, being £1 over the net book value, to First Retail Finance (Chester) Limited, a related company.

The company's major client 'Escom' ceased trading during the year, the reduction of outstanding customer debt as a result of this has been more than offset by an increase in new clients which the Directors envisage will continue.

The Directors expect both an increase in the level of activity and the company to continue to make a profit in the forthcoming year.

***Directors and Their Interests***

The Directors who served on the board throughout the period were as follows:

S Fairbank		
I P Campbell		
A S Leaman	appointed	19 July 1996
R Littler		
K W Maynard	appointed	01 March 1996
R J Mee		
P R Oakes	appointed	19 March 1996
J E Rowley	resigned	19 July 1996
M H A Astbury	resigned	01 June 1996
A G Dowson	appointed	01 June 1996
A G Dowson	resigned	08 Oct 1996

None of the Directors had an interest in the share capital of the company during the financial period. The Articles of Association do not provide for the retirement of Directors by rotation.

***First Retail Finance Limited***  
***Report of the Directors***  
***For the Year Ended 31st January 1997***

**Tangible Fixed Assets**

A table of the movement in Tangible Fixed Assets is shown on Page 10.

**Auditors**

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

**By Order Of The Board**



E Phillips



} Joint Secretaries

R Nixon

NWS House  
City Road  
Chester

30 April 1997

***First Retail Finance Limited***  
***Statement Of Directors' Responsibilities***  
***In Respect Of The Accounts***

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;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

Make judgements and estimates that are reasonable and prudent; and

Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that the accounts comply with the above requirements.

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 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.

***First Retail Finance Limited***  
***Report Of The Auditors***  
***To The Members Of First Retail Finance Ltd***

We have audited the accounts on pages 5 to 13 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

***Respective Responsibilities of Directors and Auditors***

As described on page 3, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

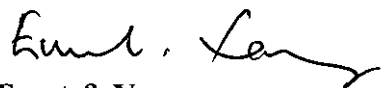
***Basis of Opinion***

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 we also evaluated the overall adequacy of the presentation of information in the accounts.

***Opinion***

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 January 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young**  
**Chartered Accountants**  
**Registered Auditor**  
**Leeds**

**30 April 1997**

**First Retail Finance Limited**  
**Profit and Loss Account**  
**For the Year Ended 31st January 1997**

	<i>Discon- tinued 1997 £'000</i>	<i>Con- tinued 1997 £'000</i>	<i>Total 1997 £'000</i>	<i>Discon- tinued 1996 £'000</i>	<i>Con- tinued 1996 £'000</i>	<i>Total 1996 £'000</i>
<b>Turnover (Note 2)</b>	213	4,599	4,812	1,300	818	2,118
Finance and trading costs	146	2,334	2,480	1,019	884	1,903
	—	—	—	—	—	—
<b>Gross Profit</b>	67	2,265	2,332	281	(66)	215
Administrative Expenses	30	1,802	1,832	150	582	732
	—	—	—	—	—	—
<b>Profit/(Loss) on Ordinary Activities Before Taxation (note 3)</b>	37	463	500	131	(648)	(517)
	—	—	—	—	—	—
Tax on profit/(loss) on ordinary activities			(311)			7
(Note 4)			—			—
<b>Profit/(Loss) on Ordinary Activities After Taxation</b>			189			(510)
			—			—
(Note 11)						

**Statement of Total Recognised Gains and Losses**

There are no recognised gains and losses other than the profit on ordinary activities after taxation of £189k in the year ended 31 January 1997 and a loss on ordinary activities after taxation of £510k in the period ended 31 January 1996.

The notes on pages 8 to 13 form part of these accounts.

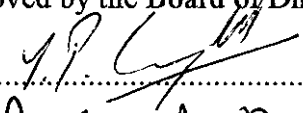
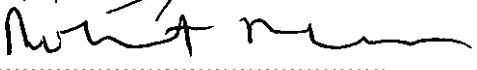
**First Retail Finance Limited**  
**Balance Sheet as at 31st January 1997**

	<i>Notes</i>	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
<b><i>Fixed Assets</i></b>			
Tangible assets	6	25	35
		<hr/> 25	<hr/> 35
<b><i>Current Assets</i></b>			
Debtors - amounts falling due within one year	7	8,822	13,021
Debtors - amounts falling due after one year		9,192	11,051
Cash at bank		-	1,085
		<hr/> 18,014	<hr/> 25,157
Creditors - amounts falling due within one year	8	(15,732)	(20,324)
<b><i>Net Current Assets</i></b>		<hr/> 2,282	<hr/> 4,833
<b><i>Total Assets Less Current Liabilities</i></b>		<hr/> 2,307	<hr/> 4,868
Creditors - amount falling due after more than one year	8	-	(2,750)
<b><i>Net Assets</i></b>		<hr/> 2,307	<hr/> 2,118
<b><i>Capital and Reserves</i></b>			
Called up share capital	10	2,721	2,721
Profit and loss account	11	(414)	(603)
<b><i>Equity Shareholders Funds</i></b>		<hr/> 2,307	<hr/> 2,118

These accounts were approved by the Board of Directors on 30 April 1997.

I P Campbell

R J Mee

.....  
  
.....  
  
.....

} **Directors**

The notes on pages 8 to 13 form part of these accounts.



***First Retail Finance Limited***  
***Cash Flow Statement***  
***For the Year Ended 31st January 1997***

	<i>Notes</i>	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
<i>Net cash inflow/(outflow) from operating activities</i>	9a	7,184	(23,469)
 <i>Taxation</i>			
Group relief received		-	45
 <i>Investing Activities</i>			
Purchase of tangible fixed assets		(7)	(44)
		<hr/>	<hr/>
Net cash outflow before financing		7,177	(23,468)
		<hr/>	<hr/>
 <i>Financing</i>			
Issue of ordinary share capital		-	2,600
(Decrease)/Increase in amount owed to joint parties	9c	(8,268)	21,971
		<hr/>	<hr/>
Net cash outflow from financing		(8,268)	24,571
		<hr/>	<hr/>
Increase (decrease) in cash and cash equivalents	9b	(1,091)	1,103
		<hr/>	<hr/>

***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 1997***

1) ***Accounting Policies***

a) ***Accounting Convention***

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) ***Provision For Bad Debts***

***Retail Credit***

Provision is made for doubtful debts using an arrears based method, which is designed to provide fully for those debts which will probably prove to be irrecoverable net of any income and associated costs from debts which are likely to be recoverable.

c) ***Depreciation***

Depreciation is provided on a straight line basis at rates which reduce the book value of assets to nil at the end of their useful lives.

The periods generally applicable are:-

Computer hardware and software	2 to 4 years
--------------------------------	--------------

d) ***Deferred Taxation***

Provision is made for deferred taxation on all timing differences, only to the extent that a liability is expected to crystallise in the foreseeable future. Such tax not provided for is disclosed as a contingent liability or asset.

2) ***Turnover***

Turnover represents finance and other associated charges on credit facilities together with commission therein, net of commissions paid. All turnover and pre-tax profits relate to services provided within the United Kingdom.

3) *Profit/(Loss) on Ordinary Activities Before Taxation*

	<i>1997 £'000</i>	<i>1996 £'000</i>
This is stated after charging:		
Auditors' remuneration:    Audit	6	4
Other	-	-
Directors' emoluments	-	-
Depreciation	17	9
Interest on bank overdrafts and loans repayable within 5 years	-	5
Interest payable to joint venture parties on loans repayable within 5 years	1,215	614

The company has no employees. It uses the services of joint venture parties for which management charges are made.

4) *Tax on Profit/(Loss) on Ordinary Activities*

	<i>1997 £'000</i>	<i>1996 £'000</i>
Taxation based on the profit/(loss) for the year is made up as follows		
UK Corporation Tax at 33%	311	(8)
Prior years	-	1
	—	—
	311	(7)
	—	—

5) *Deferred Taxation*

There is no actual or potential liability for deferred taxation. An analysis of the potential deferred tax asset which has not been recognised in the accounts is as follows:-

	<i>1997</i> <i>£'000</i>	<i>1996</i> <i>£'000</i>
Accelerated capital allowances	4	2
Other timing differences	293	158
	—	—
	297	160
	—	—

6) *Tangible Fixed Assets*

	<i>Computer Hardware</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<i>Cost</i>		
At 1 February 1996	44	44
Additions at cost	7	7
	—	—
At 31 January 1997	51	51
	—	—
<i>Depreciation</i>		
At 1 February 1996	9	9
Charge for period	17	17
	—	—
At 31 January 1997	26	26
	—	—
<i>Net Book Amount</i>		
At 31 January 1997	25	25
	—	—
At 1 February 1996	35	35
	—	—

7) **Debtors**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
Debtors:-		
<i>Amounts falling due within one year</i>		
Prepayments & accrued income	186	-
Finance debtors	8,354	12,760
Group relief receivable	-	7
Other debtors	282	254
	<hr/>	<hr/>
	8,822	13,021
	<hr/>	<hr/>

All debtors falling due after one year are finance debtors.

8) **Creditors**

	<b>1997</b>	<b>1996</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts falling due within one year</i>		
Amount owed to joint venture parties	14,442	19,960
Other creditors	980	364
Corporation Tax	304	-
Bank overdraft, loans and acceptances	6	-
	<hr/>	<hr/>
	15,732	20,324
	<hr/>	<hr/>
<i>Amounts falling due after one year</i>		
Amount owed to joint venture parties	-	2,750
	<hr/>	<hr/>

9) **Cash Flow Statement**

a) **Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) From Operating Activities**

	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
Operating Profit/(Loss)	500	(517)
Depreciation on tangible fixed assets	17	9
Net increase in creditors	616	248
Net increase in debtors	(1,290)	(23,209)
Consideration received for sale to FRF Chester	7,341	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	7,184	(23,469)
	<hr/>	<hr/>

b) **Analysis of Changes in Cash and Cash Equivalents During the Year**

	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
Opening balance	1,085	(18)
Net cash (outflow)/inflow	(1,091)	1,103
	<hr/>	<hr/>
Closing balance	(6)	1,085
	<hr/>	<hr/>

c) **Analysis of Changes in Financing During the Period**

**Amount owed to joint venture parties**

	<b>1997</b> <b>£'000</b>	<b>1996</b> <b>£'000</b>
Opening balance	22,710	739
Net movement	(8,268)	21,971
	<hr/>	<hr/>
Closing balance	14,442	22,710
	<hr/>	<hr/>

10) *Share Capital*

Ordinary shares of £1 each

	<i>1997</i>	<i>1996</i>
<i>Authorised</i>	<i>£</i>	<i>£</i>
"A" shares	5,000,000	5,000,000
"B" shares	5,000,000	5,000,000
	<hr/>	<hr/>
	10,000,000	10,000,000
	<hr/>	<hr/>
<i>Allotted, Called Up and Fully Paid</i>		
"A" shares	1,360,500	1,360,500
"B" shares	1,360,500	1,360,500
	<hr/>	<hr/>
	2,721,000	2,721,000
	<hr/>	<hr/>

11) *Reconciliation of Shareholders' Funds and Movements on Reserves*

	<i>Share Capital £'000</i>	<i>Profit &amp; Loss Account £'000</i>	<i>Total £'000</i>
At 1 February 1996	2,721	(603)	2,118
Profit for the year	-	189	189
	<hr/>	<hr/>	<hr/>
At 31 January 1997	2,721	(414)	2,307
	<hr/>	<hr/>	<hr/>