

***First Retail Finance Limited***  
***REPORT and ACCOUNTS***  
***YEAR ENDED 31st JANUARY 2003***

***REGISTRATION NUMBER: 2862551***



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***First Retail Finance Limited  
Report of the Directors  
For the Year Ended 31st January 2003***

The Directors submit their Report together with the audited accounts for the year ended 31<sup>st</sup> January 2003.

***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 £1,356,000 (2002 - profit £397,000).

During the year the company purchased at book value the debtor books and associated liabilities of Club24 Limited. The outstanding customer debt, net of bad debt provision, has decreased to £12.07m (2002 - £14.02m).

During the year an interim dividend of £2,189,000 was paid to Club24 Limited.

***Directors and Their Interests***

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

David Keens

Simon Wolfson – appointed 16<sup>th</sup> May 2002

David Jones – resigned 16<sup>th</sup> May 2002

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 2003***

***Auditors***

Ernst & Young LLP 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.

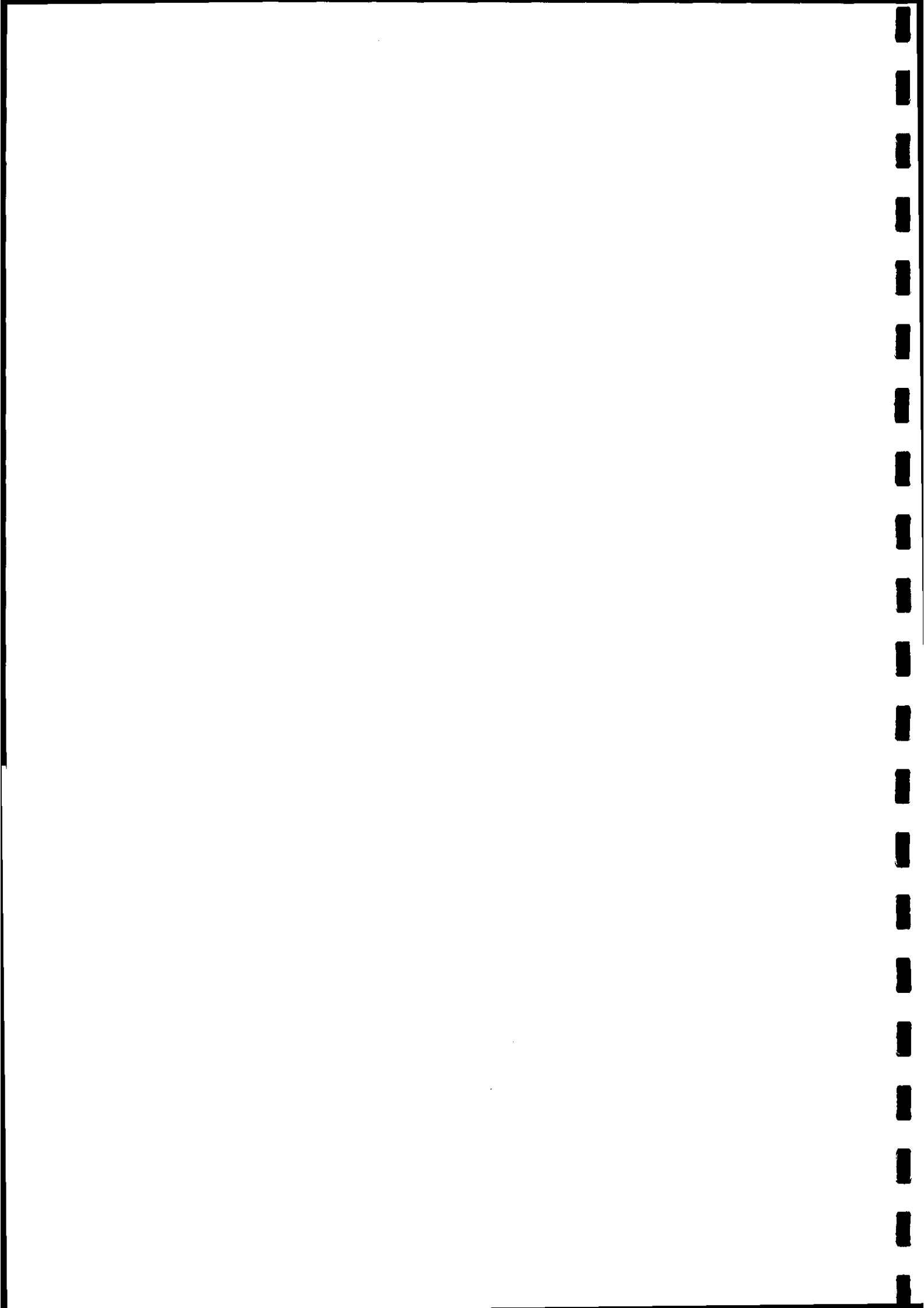
**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'E. Phillips', with a long horizontal flourish extending to the right.

**E. PHILLIPS**

**Company Secretary**

Desford Road, Enderby, Leicester  
30th April 2003



***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***  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF FIRST RETAIL FINANCE LIMITED**

We have audited the company's accounts for the year ended 31 January 2003 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


**Basis of audit 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Leeds

7 May 2003





***First Retail Finance Limited***  
***Profit and Loss Account***  
***For the Year Ended 31st January 2003***

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
<b><i>Turnover</i></b>	2	3,921	3,116
Finance and trading costs		(588)	(686)
		<hr/>	<hr/>
<b><i>Gross Profit</i></b>		3,333	2,430
Administrative Expenses		(1,389)	(1,863)
		<hr/>	<hr/>
<b><i>Profit on Ordinary Activities</i></b> <b><i>Before Taxation</i></b>	3	1,944	567
Tax on profit on ordinary activities	4	(588)	(170)
		<hr/>	<hr/>
<b><i>Profit on Ordinary Activities</i></b> <b><i>after Taxation</i></b>		1,356	397
Dividends	10	(2,189)	-
		<hr/>	<hr/>
<b><i>(Deficit)/Retained Profit for the Financial Year</i></b>	11	(833)	397
		<hr/>	<hr/>

The notes on pages 10 to 17 form part of these accounts.



**First Retail Finance Limited**  
**Balance Sheet as at 31st January 2003**

	<i>Notes</i>	<i>2003</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>
<b><i>Fixed Assets</i></b>			
Tangible assets	6	-	-
		<hr/>	<hr/>
<b><i>Current Assets</i></b>			
Debtors - amounts falling due within one year	7	8,419	8,361
Debtors - amounts falling due after one year	7	3,593	5,659
Cash at Bank		64	-
		<hr/>	<hr/>
		12,076	14,020
<b><i>Current Liabilities</i></b>			
Creditors - amounts falling due within one year	8	9,019	9,823
<b><i>Net Current Assets</i></b>		<u>3,057</u>	<u>4,197</u>
<b><i>Total Assets Less Current Liabilities</i></b>		3,057	4,197
<b><i>Creditors - amounts falling due after one year</i></b>	8	14	321
<b><i>Net Assets</i></b>		<hr/> <u>3,043</u> <hr/>	<hr/> <u>3,876</u> <hr/>
<b><i>Capital and Reserves</i></b>			
Called up share capital	9	2,721	2,721
Profit and loss account	11	<u>322</u>	<u>1,155</u>
<b><i>Equity Shareholders Funds</i></b>		<hr/> <u>3,043</u> <hr/>	<hr/> <u>3,876</u> <hr/>

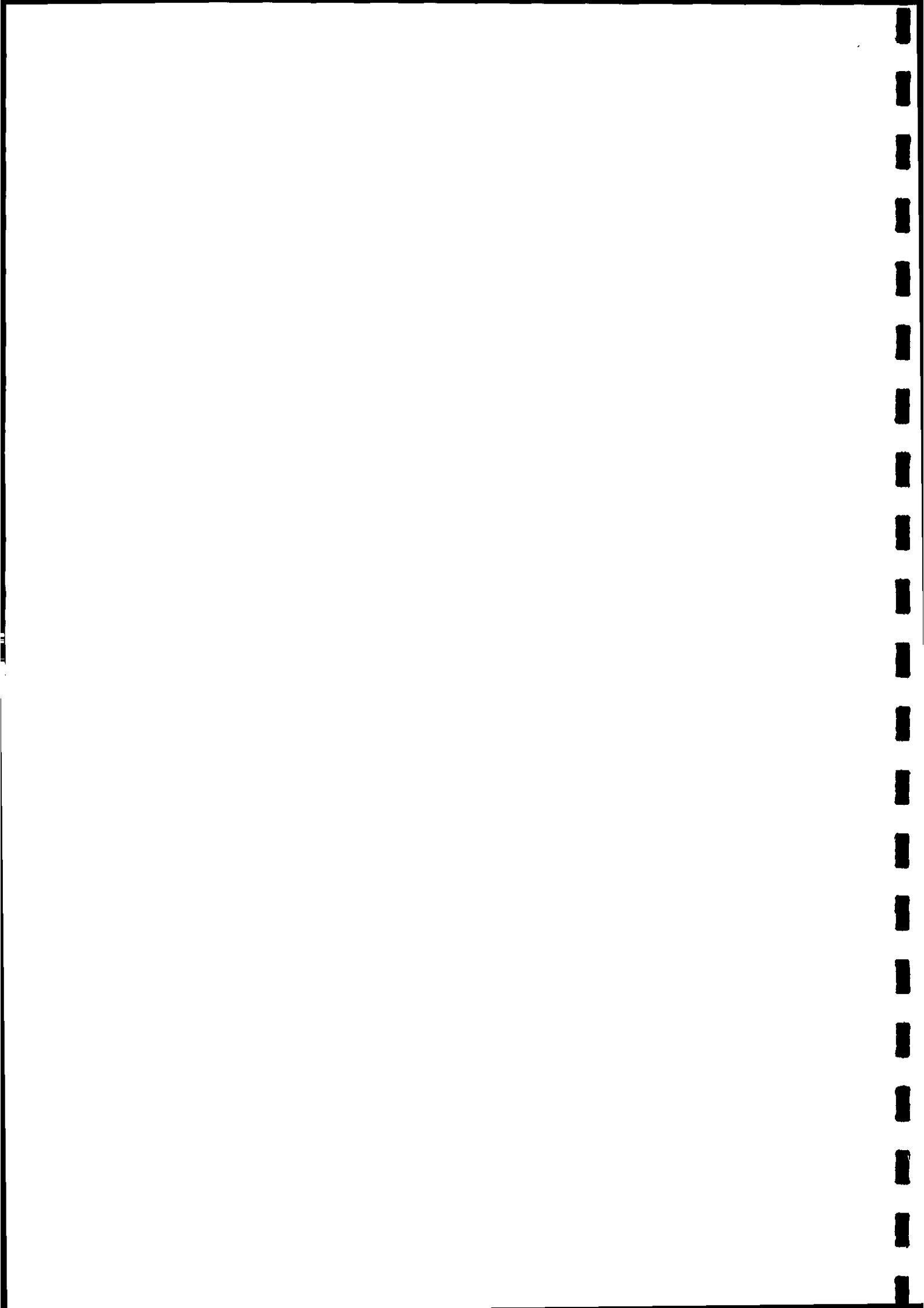
These accounts were approved by the Board of Directors on 30<sup>th</sup> April 2003

David Keens

  
 .....

**Director**

The notes on pages 10 to 17 form part of these accounts.



***First Retail Finance Limited***  
***Statement of Total Recognised Gains and Losses***  
***For the Year Ended 31st January 2003***

	<b><i>2003</i></b> <b><i>£'000</i></b>	<b><i>2002</i></b> <b><i>£'000</i></b>
Profit for the year	1,356	397
Prior Year Adjustment	-	657
	<hr/>	<hr/>
Total Recognised Gains and Losses	1,356	1,054
	<hr/>	<hr/>

***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

**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**

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) Deferred Taxation**

Full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted.

**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.



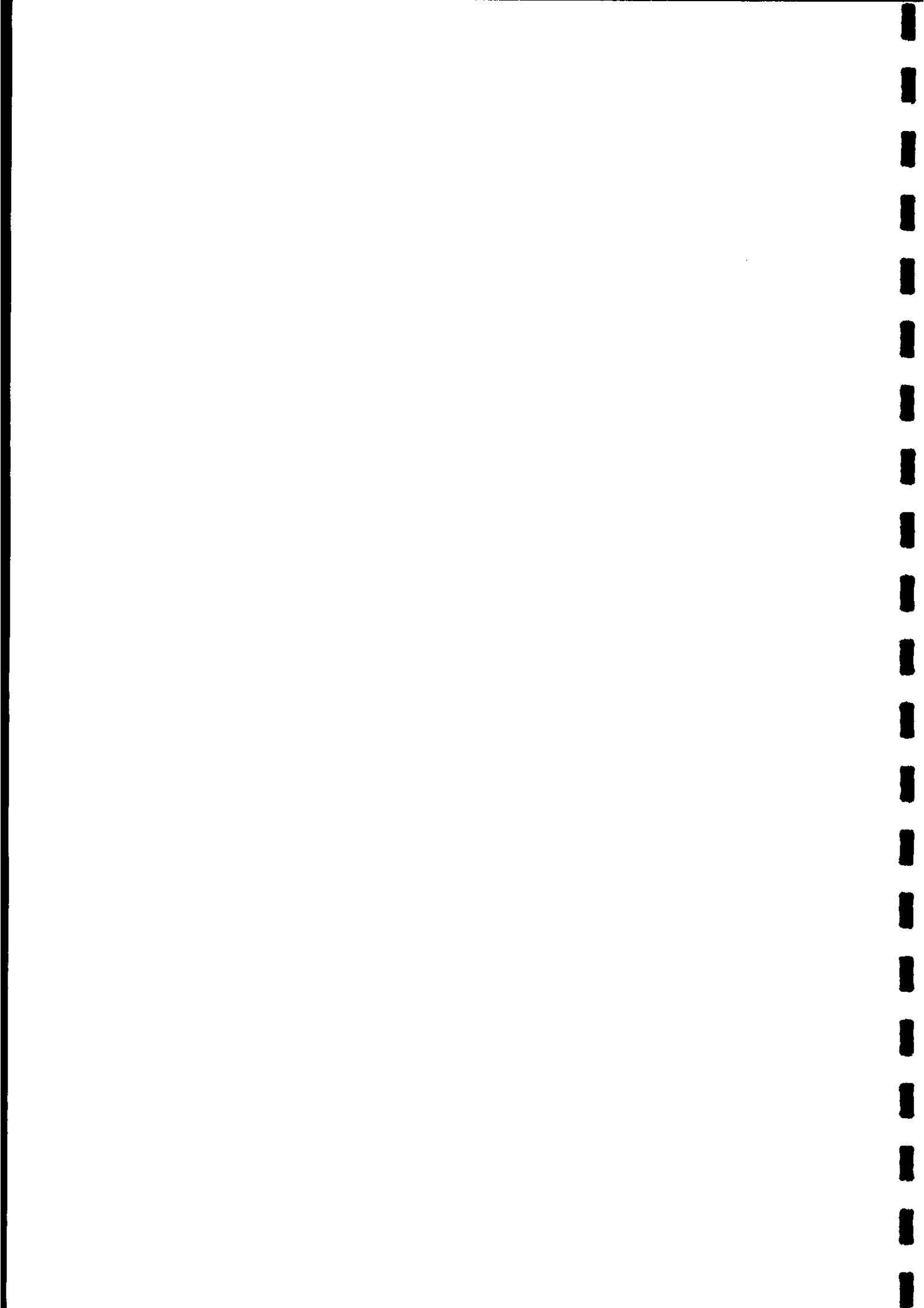


***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

***3. Profit on Ordinary Activities Before Taxation***

	<b><i>2003</i></b>	<b><i>2002</i></b>
	<b><i>£'000</i></b>	<b><i>£'000</i></b>
This is stated after charging:		
Auditors' remuneration: Audit Fee	8	8
Interest payable to parent undertaking on loans repayable within 5 years	586	677

The company has no direct employees. It uses the services of employees on joint contracts between First Retail Finance Ltd and Club 24 Ltd for which management charges are made.



***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

**4. Tax on Profit on Ordinary Activities**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
The tax (charge)/credit based on the profit/(loss) for the year is made up as follows		
Current tax:		
UK corporation tax	(288)	125
Deferred taxation (note 5)	<u>(300)</u>	<u>(295)</u>
Total tax (charge)/credit	<u>(588)</u>	<u>(170)</u>

The tax rate for the current year varied from the standard rate of corporation tax in the UK due to the following factors:

	<b>2003</b>	<b>2002</b>
	<b>%</b>	<b>%</b>
UK corporation tax rate	30.0	30.0
Non-deductible expenses/(non-taxable income/gains)	-	(1.2)
Origination and reversal of timing differences	<u>(15.2)</u>	<u>(50.8)</u>
Effective current tax rate on ordinary activities	<u>14.8</u>	<u>(22.0)</u>

***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

***5. Deferred Taxation***

The amount of deferred tax assets recognised in the accounts is stated below. There were no amounts of unprovided deferred tax.

	<b><i>2003</i></b> <b><i>£'000</i></b>	<b><i>2002</i></b> <b><i>£'000</i></b>
Advance capital allowances	2	2
Other timing differences	65	360
	<hr/>	<hr/>
Total deferred tax asset	67	362
	<hr/>	<hr/>

The movements in deferred taxation assets during the current and previous years are as follows:

	<b><i>2003</i></b> <b><i>£'000</i></b>	<b><i>2002</i></b> <b><i>£'000</i></b>
At start of the year	362	657
Origination and reversal of timing differences (see Note 4)	(300)	(295)
Transfer from Club24 Limited	5	-
	<hr/>	<hr/>
At end of the year	67	362
	<hr/>	<hr/>

***Prior Year Adjustment***

During the year to 31<sup>st</sup> January 2002, FRS 19 Deferred Taxation became applicable to the company for the first time. On implementation of the standard, the deferred tax position was restated in accordance with FRS 19 and a prior year adjustment recognised in the financial statements.

The impact of the change in accounting policy was to reduce the profit for the year ended 31<sup>st</sup> January 2003 by £300,000 (2002 - £295,000).

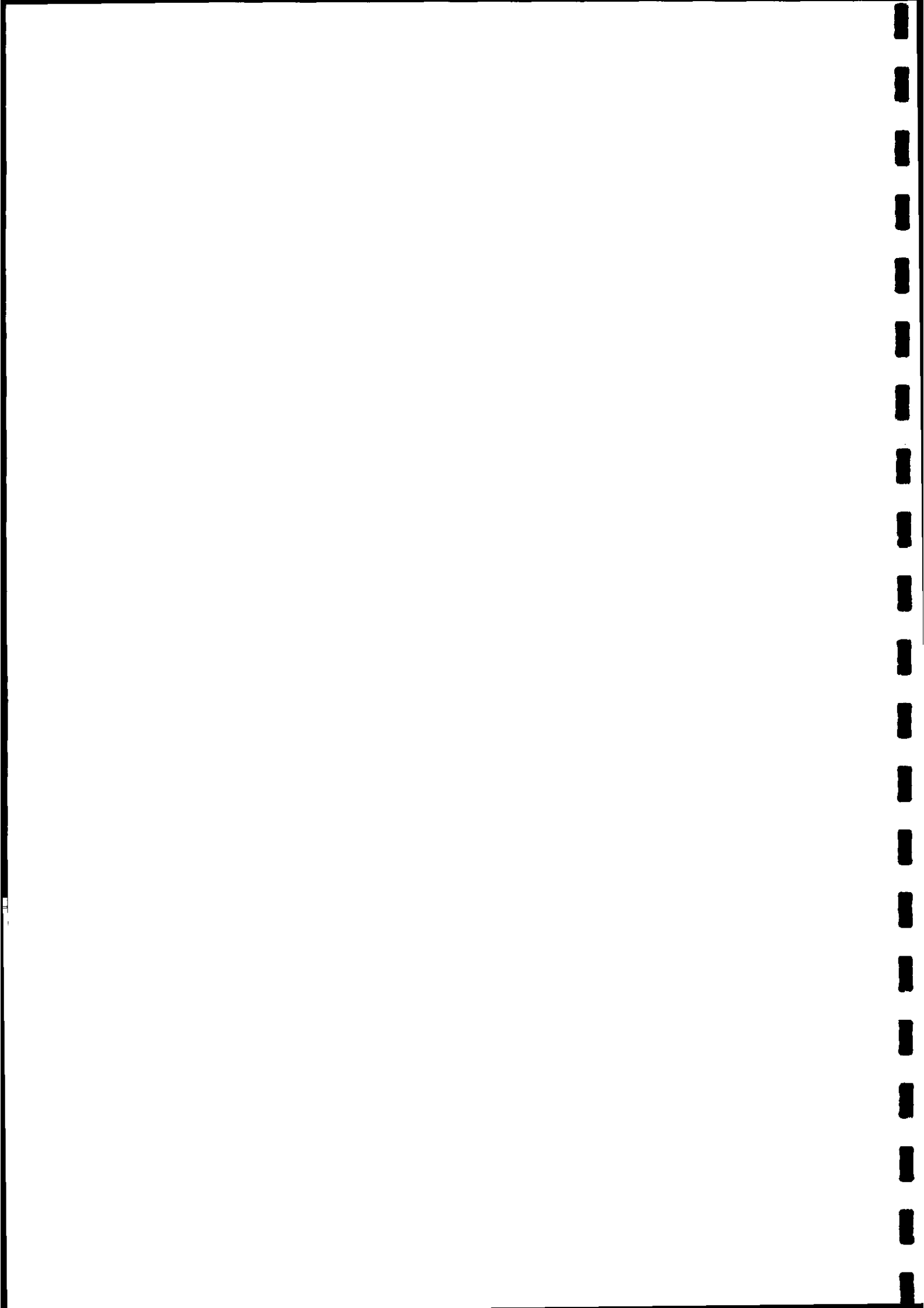
***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

**6. *Tangible Fixed Assets***

There are no tangible fixed assets in the business as all support and infrastructure costs are bought in from group or third party companies.

**7. *Debtors***

	<b><i>2003</i></b>	<b><i>2002</i></b>
	<b><i>£'000</i></b>	<b><i>£'000</i></b>
Debtors:-		
<b><i>Amounts falling due within one year</i></b>		
Prepayments & accrued income	19	9
Finance debtors	8,333	7,865
Corporation tax	-	125
Deferred taxation (Note 5)	<u>67</u>	<u>362</u>
	<u>8,419</u>	<u>8,361</u>
<b><i>Amounts falling due after one year</i></b>		
Finance debtors	<u>3,593</u>	<u>5,659</u>



**First Retail Finance Limited**  
**Notes to the Accounts**  
**For the Year Ended 31st January 2003**

**8. Creditors**

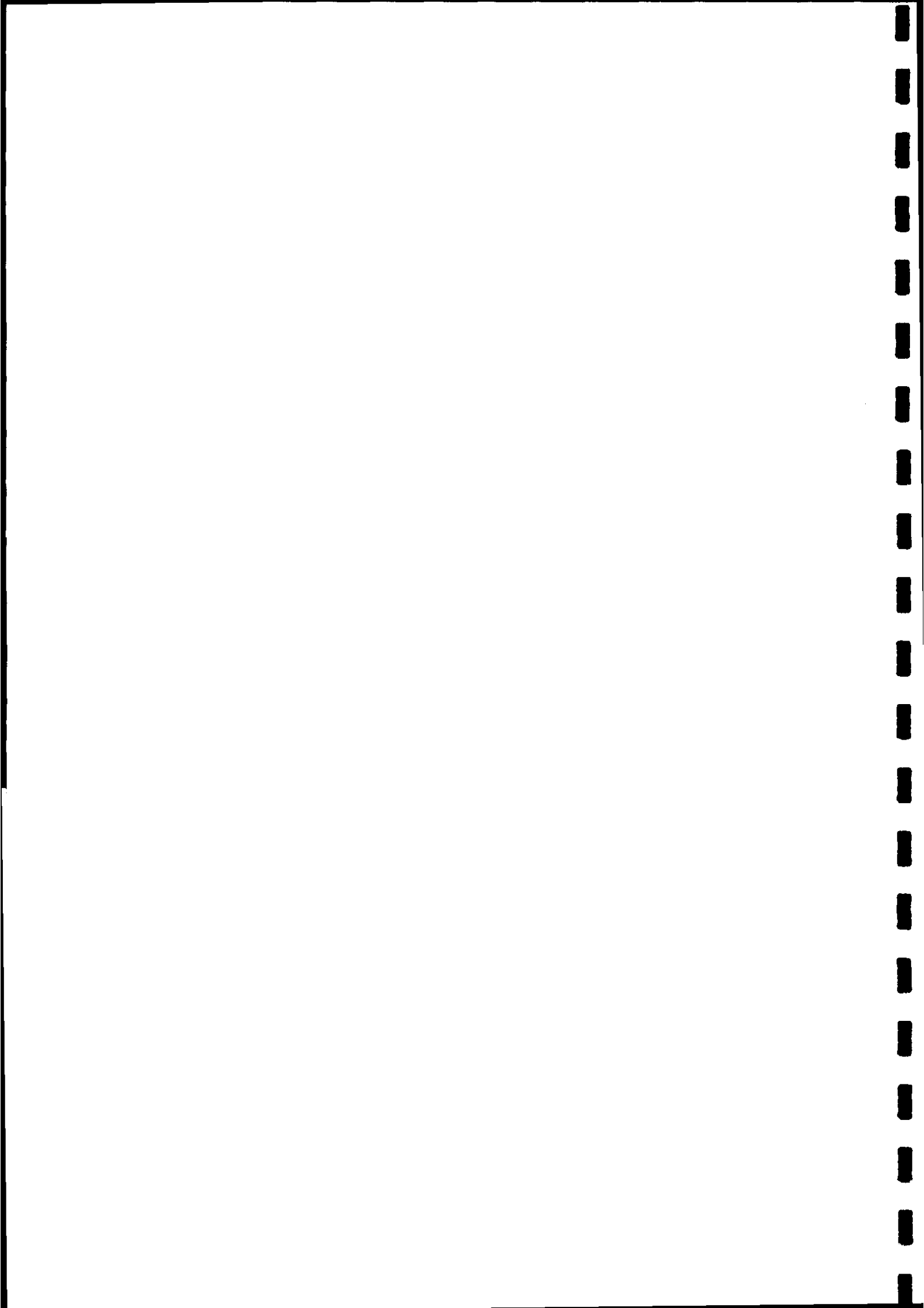
	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Amounts falling due within one year</i></b>		
Amount owed to parent undertaking	6,832	8,444
Trade creditors	66	9
Other creditors	1,833	1,252
Corporation tax	288	-
Bank overdraft	-	118
	<u>9,019</u>	<u>9,823</u>
<b><i>Amounts falling due after one year</i></b>		
Other creditors	<u>14</u>	<u>321</u>

**9. Share Capital**

Ordinary shares of £1 each

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b><i>Authorised</i></b>		
"A" shares	5,000	5,000
"B" shares	5,000	5,000
	<u>10,000</u>	<u>10,000</u>
<b><i>Allotted, Called Up and Fully Paid</i></b>		
"A" shares	1,360	1,360
"B" shares	1,361	1,361
	<u>2,721</u>	<u>2,721</u>

There are no differences in rights attached to each class of share in relation to the distribution of dividends, voting rights and any distribution of capital which may result from winding up of the Company.





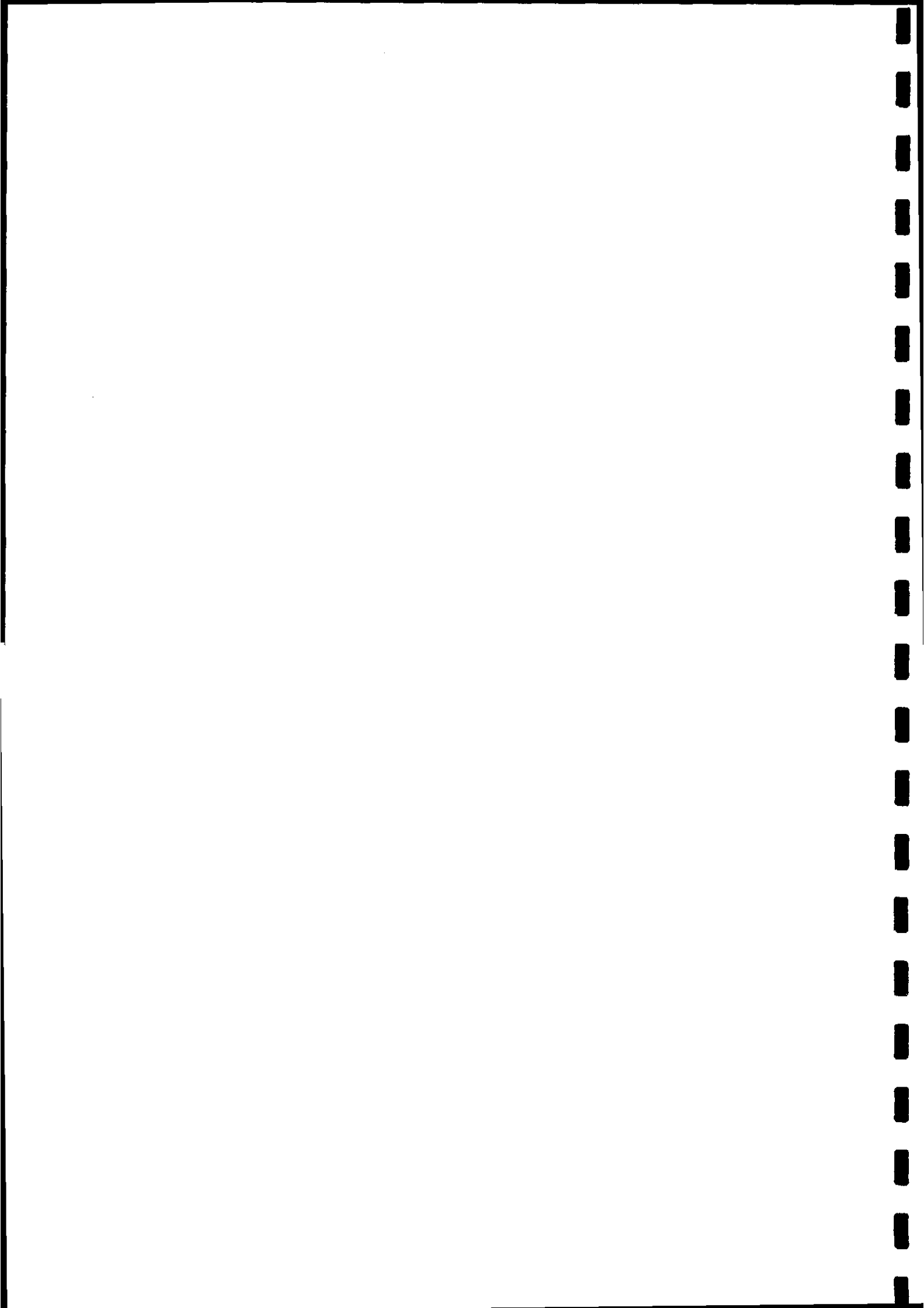
***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

**10. Dividends**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Dividends paid in the year	2,189	-

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

	<b>Share Capital £'000</b>	<b>Profit &amp; Loss Account £'000</b>	<b>Total £'000</b>
As at 31 January 2001 restated	2,721	758	3,479
Profit on ordinary activities After taxation	-	397	397
As at 31 January 2002	2,721	1,155	3,876
Profit on ordinary activities After taxation	-	1,356	1,356
Dividend paid	-	(2,189)	(2,189)
As at 31 January 2003	<u>2,721</u>	<u>322</u>	<u>3,043</u>



***First Retail Finance Limited***  
***Notes to the Accounts***  
***For the Year Ended 31st January 2003***

***12. Related Parties***

The company has financed a retail credit facility of £1,194,000 (2002 Club24 Ltd: £2,182,000) for Cotton Traders Ltd and earned commission of £29,000 (2002 Club24 Ltd: £54,000) on this activity. Cotton Traders Ltd is a subsidiary of Cotton Traders Holdings Ltd, an associate of Next plc. The amount owed to Cotton Traders Ltd at 31st January 2003 was £22,000 (2002 Club24 Ltd: £nil).

***13. Cash Flow Statement***

As the company is a wholly owned subsidiary undertaking of Next plc, a company registered in England and Wales, which prepares a consolidated cash flow statement, the company has taken advantage of the exemption provided by FRS 1 not to prepare a cash flow statement.

***14. Ultimate Parent Undertaking***

The ultimate parent undertaking is Next plc, a company registered in England. A copy of that company's accounts may be obtained from its Company Secretary at the registered office: Desford Road, Enderby, Leicester, LE19 4AT.

