

First Retail Finance Ltd

Report and Accounts

Year Ended 31st January 1998



Registration Number: 2862551

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First Retail Finance Limited
Report of the Directors
For the Year Ended 31st January 1998

The Directors submit their Report together with the audited accounts for the year ended 31st January 1998.

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 £402,000 which has been added to reserves.

Outstanding customer debt has remained constant at £19.6m (£19.4m 1996/7). Escom customer debt has continued to decline as expected and has been offset by growth amongst other clients.

The Directors expect both an increase in the level of activity and the company 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		
R Littler		
K W Maynard		
R J Mee		
P R Oakes		
S Stewart	appointed	27th June 1997

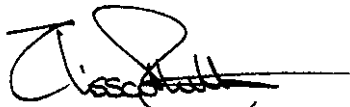
None of the Directors had an interest in the share capital of the company during the financial period. The Articles of Association do not provide for the retirement of Directors by rotation.

First Retail Finance Limited
Report of the Directors
For the Year Ended 31st January 1998

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



R Nixon

Joint Secretaries

Capital House
City Road
Chester

30th April 1998

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.

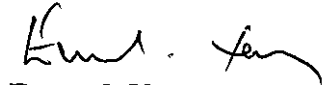
Basis of Opinion

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 1998 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 1998

First Retail Finance Limited
Profit and Loss Account
For the Year Ended 31st January 1998

	<i>Conti- nuing 1998 £'000</i>	<i>Conti- nuing 1997 £'000</i>	<i>Discon- tinued 1997 £'000</i>	<i>Total 1997 £'000</i>
Turnover (Note 2)	3,311	4,559	213	4,812
Finance and trading costs	1,713	2,334	146	2,480
Gross Profit	1,598	2,265	67	2,332
Administrative Expenses	661	1,802	30	1,832
Profit on Ordinary Activities Before Taxation (note 3)	937	463	37	500
Tax on profit on ordinary activities (Note 4)	(535)			(311)
Profit on Ordinary Activities After Taxation (Note 11)	402			189

Statement of Recognised Gains and Losses

There are no recognised gains and losses other than the profit on ordinary activities after taxation of £402k in the year ended 31 January 1998 and a profit on ordinary activities after taxation of £189k in the period ended 31 January 1997.

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

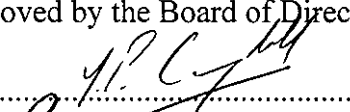
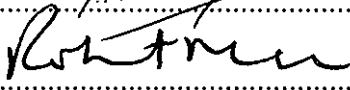
First Retail Finance Limited
Balance Sheet as at 31st January 1998

	<i>Notes</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Fixed Assets			
Tangible assets	6	8	25
Current Assets			
Debtors - amounts falling due within one year	7	10,972	8,822
Debtors - amounts falling due after one year		7,426	9,192
		18,397	18,014
Creditors - amounts falling due within one year	8	(15,696)	(15,732)
Net Current Assets		2,701	2,282
Net Assets		2,709	2,307
Capital and Reserves			
Called up share capital	10	2,721	2,721
Profit and loss account	11	(12)	(414)
Equity Shareholders Funds		2,709	2,307

These accounts were approved by the Board of Directors on 30th April 1998.

I P Campbell

R J Mee

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) **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 1998

	<i>Notes</i>	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
<i>Net cash inflow from operating activities</i>	9	1,416	7,184
 <i>Taxation</i>			
Corporation tax paid		(305)	
 <i>Capital Expenditure and Financial Investment</i>			
Payments to acquire tangible fixed assets		(1)	(7)
		<hr/>	<hr/>
Net cash inflow before financing		1,110	7,177
		<hr/>	<hr/>
 Financing			
(Decrease in amount owed to joint venture parties		(1,327)	(8,268)
		<hr/>	<hr/>
 Increase in bank overdraft		(217)	(1,091)
		<hr/>	<hr/>

First Retail Finance Limited
Notes to the Accounts
For the Year Ended 31st January 1998

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) *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
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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 on Ordinary Activities Before Taxation*

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
This is stated after charging:		
Auditors' remuneration: Audit	6	6
Other	-	-
Directors' emoluments	-	-
Depreciation	18	17
Interest payable to joint venture parties on loans repayable within 5 years	956	1,215

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

4) *Tax on Profit on Ordinary Activities*

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Taxation based on the profit for the year is made up as follows		
UK Corporation Tax	535	311
	—	—

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>1998 £'000</i>	<i>1997 £'000</i>
Accelerated capital allowances	5	4
Other timing differences	512	293
	<hr/>	<hr/>
	517	297
	<hr/>	<hr/>

6) ***Tangible Fixed Assets***

	<i>Total £'000</i>
<i>Cost</i>	
At 1 February 1997	51
Additions at cost	1
	<hr/>
At 31 January 1998	52
	<hr/>
<i>Depreciation</i>	
At 1 February 1997	26
Charge for period	18
	<hr/>
At 31 January 1998	44
	<hr/>
<i>Net Book Amount</i>	
At 31 January 1998	8
	<hr/>
At 1 February 1997	25
	<hr/>

7) **Debtors**

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Debtors:-		
<i>Amounts falling due within one year</i>		
Prepayments & accrued income	95	186
Finance debtors	10,351	8,354
Other debtors	526	282
	<hr/>	<hr/>
	10,972	8,822
	<hr/>	<hr/>

All debtors falling due after one year are finance debtors.

8) **Creditors**

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
<i>Amounts falling due within one year</i>		
Amount owed to joint venture parties	13,115	14,442
Other creditors	1,823	980
Corporation Tax	535	304
Bank overdraft, loans and acceptances	<hr/> 223	<hr/> 6
	15,696	15,732
	<hr/>	<hr/>

9) *Cash Flow Statement*

Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	<i>1998</i> <i>£'000</i>	<i>1997</i> <i>£'000</i>
Operating Profit	937	500
Depreciation on tangible fixed assets	18	17
Increase in creditors	844	616
Increase in debtors	(383)	(1,289)
Consideration received for sale to FRF Chester	-	7,340
	<hr/>	<hr/>
Net cash inflow from operating activities	1,416	7,184
	<hr/>	<hr/>

10) *Share Capital*

Ordinary shares of £1 each

	<i>1998</i>	<i>1997</i>
<i>Authorised</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/>

Allotted, Called Up and Fully Paid

"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 & Loss Account £'000</i>	<i>Total £'000</i>
At 1 February 1996	2,721	(603)	2,118
Profit on ordinary activities after taxation	-	189	189
At 1 February 1997	2,721	(414)	2,307
Profit on ordinary activities after taxation	-	402	402
At 31 January 1998	2,721	(12)	2,709

12) **Related parties**

First Retail Finance Ltd has various related party transactions.

Club 24 Ltd owns 50% of First Retail Finance Ltd and provides administrative and bureau services. During the year a bureau service was provided to the value of £85k. The company also provided administrative support to the value of £263k. The price charged for the bureau service was at cost to Club 24 Ltd, the price for administrative support was charged at cost and the amount owed to Club 24 Ltd was £218k as at 31st January 1998.

Bank of Scotland Ltd which owns 100% of Capital Bank Ltd who in turn owns 50% of First Retail Finance Ltd and provides a revolving funding facility. Funds owed to Bank of Scotland Ltd at 31/01/98 were £12.9m. Interest paid on funding for financial year amounted to £1m