

First Retail Finance Limited

REPORT and ACCOUNTS

YEAR ENDED 31st JANUARY 2000

REGISTRATION NUMBER: 2862551



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First Retail Finance Limited
Report of the Directors
For the Year Ended 31st January 2000

The Directors submit their Report together with the audited accounts for the year ended 31st January 2000.

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 £144k.

Outstanding customer debt has increased to £33.9m (£29.7m 1998/9). Escom and Waterford customer debt has continued to decline as expected and has been offset by growth amongst other clients.

Year 2000

The company continues to work with its associated companies, Club 24 Limited and Clydesdale Financial Services Limited, to safeguard its business operations and interests with regard to the impact of the Year 2000 issue. The systems used by the company are those of Club 24 Limited and Clydesdale Financial Services Limited, both of which are subsidiaries of Next plc. The full Group statement which appears in the Next plc annual report is as follows:

Prior to 31st December 1999 the Group addressed the Year 2000 issue by assessing the implications for Information Technology and non-IT areas, both within our own business and in those of our major suppliers and customers, and replaced or adapted systems as required. Although it is not possible to guarantee that no Year 2000 problems remain, the company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruption has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

It is not possible to quantify the specific cost of our Year 2000 project, as many of the changes being implemented would otherwise have been made in the normal course of business, or contain an element of business enhancement. Expenditure has been written off to operating costs as incurred or capitalised if appropriate. Costs in achieving compliance have been reduced by a continuous programme of systems replacement and renewal as part of ongoing business development.

Directors and Their Interests

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

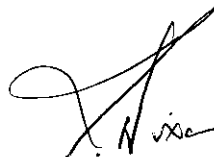
S Fairbank – resigned 25th November 1999
I P Campbell – resigned 25th November 1999
R Littler – resigned 25th November 1999
C. W. Murray – appointed 22nd July 1999, resigned 6th January 2000
David Jones – appointed 6th January 2000
David Keens – appointed 6th January 2000
A S Leaman
R J Mee
P R Oakes

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.

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



R NIXON

Joint Company Secretary

Thistle House
City Road
Chester
28th April 2000

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.

***Report of the Auditors
to the Members of First Retail Finance Limited***

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

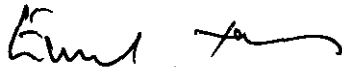
Basis of Opinion

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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young
Registered Auditor
Leeds**

28 April 2000

First Retail Finance Limited
Profit and Loss Account
For the Year Ended 31st January 2000

		<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
<i>Turnover</i>	2	3,617	3,474
Finance and trading costs		(1,979)	(1,719)
		<hr/>	<hr/>
<i>Gross Profit</i>		1,638	1,755
Administrative Expenses		(1,441)	(1,243)
		<hr/>	<hr/>
<i>Profit on Ordinary Activities</i>			
<i>Before Taxation</i>	3	197	512
Tax on profit on ordinary activities	4	(53)	(376)
		<hr/>	<hr/>
<i>Profit on Ordinary Activities</i>		144	136
<i>After Taxation</i>			
Dividends	11	<hr/>	<u>(100)</u>
		<hr/>	<hr/>
<i>Retained Profit for the Financial Year</i>	12	<u>144</u>	<u>36</u>

Statement of Recognised Gains and Losses

There are no recognised gains and losses other than the profit on ordinary activities after taxation of £144,000 in the year ended 31st January 2000 and £136,000 in the year ended 31st January 1999.

The notes on pages 10 to 15 form part of these accounts.

First Retail Finance Limited
Balance Sheet as at 31st January 2000

	<i>Notes</i>	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
<i>Fixed Assets</i>			
Tangible assets	6	-	1
<i>Current Assets</i>			
Debtors - amounts falling due within one year	7	15,605	11,571
Debtors - amounts falling due after one year	7	14,760	17,207
Cash at Bank		270	546
		<u>30,635</u>	<u>29,324</u>
<i>Current Liabilities</i>			
Creditors - amounts falling due within one year	8	<u>26,567</u>	<u>25,065</u>
<i>Net Current Assets</i>		<u>4,068</u>	<u>4,259</u>
<i>Total Assets Less Current Liabilities</i>		4,068	4,260
<i>Creditors - amounts falling due after one year</i>	8	1,179	1,515
<i>Net Assets</i>		<u>2,889</u>	<u>2,745</u>
<i>Capital and Reserves</i>			
Called up share capital	10	2,721	2,721
Profit and loss account	12	<u>168</u>	<u>24</u>
<i>Equity Shareholders Funds</i>		<u>2,889</u>	<u>2,745</u>

These accounts were approved by the Board of Directors on 28th April 2000

David Keens

Andrew Leaman

Directors

The notes on pages 10 to 15 form part of these accounts.

First Retail Finance Limited
Cash Flow Statement
For the Year Ended 31st January 2000

	<i>Notes</i>	<i>2000</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>
<i>Net cash outflow from operating activities</i>	9	(1,723)	(8,582)
<i>Taxation</i>			
Corporation tax paid		(520)	(486)
<i>Capital Expenditure and Financial Investment</i>			
Payments to acquire tangible fixed assets		-	(1)
<i>Net cash outflow before financing</i>		(2,243)	(9,069)
<i>Financing</i>			
Increase in amount owed to joint venture parties		1,967	9,837
(Decrease) / Increase in cash and movement in net debt		(276)	768

First Retail Finance Limited
Notes to the Accounts
For the Year Ended 31st January 2000

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

	2000 £'000	1999 £'000
This is stated after charging:		
Auditors' remuneration: Audit	8	8
Depreciation	1	7
Interest payable to joint venture parties on loans repayable within 5 years	1,564	1,250

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.

4. Tax on Profit on Ordinary Activities

	2000 £'000	1999 £'000
Taxation based on the profit for the year is made up as follows		
UK Corporation Tax at 30.162%	53	418
Corporation Tax over provided in previous years	<u>-</u>	<u>(42)</u>
Charge to the Profit and Loss account	<u>53</u>	<u>376</u>

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:-

	2000 £'000	1999 £'000
Accelerated capital allowances	4	6
Other timing differences	715	726
	<u>719</u>	<u>732</u>

6. *Tangible Fixed Assets*

	<i>Total £'000</i>
<i>Cost</i>	
At 1 February 1999	52
Additions at cost	-
At 31 January 2000	<u>52</u>
<i>Depreciation</i>	
At 1 February 1999	51
Charge for period	1
At 31 January 2000	<u>52</u>
<i>Net Book Amount</i>	
At 31 January 2000	-
At 1 February 1999	<u>1</u>

7. *Debtors*

	<i>2000 £'000</i>	<i>1999 £'000</i>
Debtors:-		
<i>Amounts falling due within one year</i>		
Prepayments & accrued income	496	124
Finance debtors	14,528	11,048
Other debtors	539	399
Corporation Tax	42	-
	<u>15,605</u>	<u>11,571</u>
<i>Amounts falling due after one year</i>		
Finance debtors	14,227	16,604
Other debtors	<u>533</u>	<u>603</u>
	<u>14,760</u>	<u>17,207</u>

8. Creditors

	2000 £'000	1999 £'000
<i>Amounts falling due within one year</i>		
Amount owed to joint venture parties	24,919	22,952
Trade Creditors	39	57
Other creditors	1,509	1,531
Corporation Tax	-	425
Proposed Dividend	<u>100</u>	<u>100</u>
	<u>26,567</u>	<u>25,065</u>
<i>Amounts falling due after one year</i>		
Other creditors	<u>1,179</u>	<u>1,515</u>

9. Cash Flow Statement

Reconciliation of Operating Profit to Net Cash Inflow From Operating Activities

	2000 £'000	1999 £'000
Operating Profit	197	512
Depreciation on tangible fixed assets	1	7
(Decrease) / Increase in creditors	(376)	1,279
Increase in debtors	<u>(1,545)</u>	<u>(10,380)</u>
Net cash outflow from operating activities	<u>(1,723)</u>	<u>(8,582)</u>

10. *Share Capital*

Ordinary shares of £1 each

	2000	1999
<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/>
<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. *Dividends*

	2000	1999
	£000	£000
Final Proposed Dividend	<hr/> <hr/> -	<hr/> <hr/> 100

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

	Share Capital £'000	Profit & Loss Account £'000	Total £'000
At 1 February 1998	2,721	(12)	2,709
Profit on ordinary activities after taxation	-	136	136
Proposed Dividend	-	(100)	(100)
At 31 January 1999	<hr/> 2,721	<hr/> 24	<hr/> 2,745
Profit on ordinary activities after taxation	-	144	144
At 31 January 2000	<hr/> 2,721	<hr/> 168	<hr/> 2,889

13. *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 bureau services and administrative support were provided at cost by Club 24 Ltd to the value of £188,000 and £148,000 respectively (1999: £135,000 & £208,000). The amount owed to Club 24 Ltd was £119,000 as at 31st January 2000 (1999: £53,000).

Bank of Scotland plc which owns 100% of Capital Bank plc which in turn owns 50% of First Retail Finance Ltd and provides a revolving funding facility. Funds owed to Capital Bank plc at 31st January 2000 were £24.8m. Interest paid on funding for the current financial year amounted to £1.56m.