

Prospect Heights (Holdings) Ltd

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003

Registered in England
Company No. 2974740

Registered Office: North Street
Winkfield
Windsor
Berkshire
SL4 4TD



Contents

Page

Directors' report	2
Independent auditors' report	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Company balance sheet	6
Consolidated cash flow statement	7
Notes to the financial statements	8 - 18

Directors' Report

The Directors present their annual report together with the audited financial statements of the Group for the year ended 31 December 2003.

Principal activities

The principal activity of the Company is to act as the holding company to companies involved in the acquisition and servicing of Personal Loans and Credit Card receivables. These loans and receivables are principally financed by the issue of medium term debt raised on the Eurobond market and by the issue of discounted notes. However, on 18 June 2003, 13 June 2003, and 21 July 2003 any Personal Loans and Credit Card receivables in which respectively Prospect 2 plc, Opus Series 1 plc and Prospect 3 plc had an interest in were sold to HFC Bank Limited (formerly HFC Bank plc) and all funding relating to these companies was repaid.

Financial results

The Group made a profit for the financial year of £33,730 (2002 £35,212) which has been taken to reserves. The Directors do not recommend the payment of a dividend (2002 - £nil).

Business review

Following the transactions reported above, the Directors believe the current levels of activity will diminish in the foreseeable future, Prospect 2 plc, Prospect 3 plc and Opus Series 1 plc having now ceased to trade.

Directors and their interests

The Directors who served during the year are as follows

B. D. Needham
P.M. Hills
F. L. Newell
C.J. Rivers (Alternate to F.L. Newell)

Secretary
C.J. Rivers

None of the Directors had at any time during the year any disclosable interest in the shares of the Company or its Group.

Payment of creditors

It is the policy of the Company to pay for goods or services received, invoiced and not in dispute within the payment terms we have agreed with our suppliers or on pre-determined payment dates. Where no payment terms have been agreed for goods or services, payment typically occurs within 60 days of receipt of the invoice. All other creditors result in trade creditor days for the Company as at 31 December 2003 of zero days (2002 - zero days), calculated in accordance with the requirements set down in the Companies Act 1985 and its regulations. This represents the ratio, expressed in days, between the amount due to suppliers at the end of the year by the Company and the amount invoiced by suppliers in the period.

Auditors

The Company, having passed in General Meeting an elective resolution in accordance with s379A Companies Act 1985 (as amended) to dispense with the obligation to appoint auditors annually as permitted by s386 Companies Act 1985, KPMG Audit Plc shall be deemed to be re-appointed as auditors to the Company for the next financial year.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

BY ORDER OF THE BOARD

C.J. Rivers
Secretary
16 March 2004

Independent Auditors' Report to the members of Prospect Heights (Holdings) Ltd

We have audited the financial statements on pages 4 to 18.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 2, 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.

We report to you our opinion as to whether the financial statements 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 financial statements, 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 group is not disclosed.

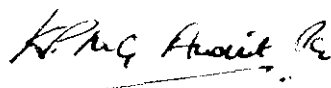
Basis of audit opinion

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 group'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 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 and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB
United Kingdom
16 March 2004

Consolidated Profit and Loss Account
For the year ended 31 December 2003

	Notes	Continuing Operations 2003 £	Continuing Operations 2002 £
Turnover	2	35,105,954	58,132,820
Interest receivable	3	19,378,617	14,314,569
Interest payable	4	(37,881,676)	(48,508,460)
Other income		9,573,499	15,212,100
Administrative expenses	5	(26,131,313)	(39,111,080)
Operating profit and profit on ordinary activities before taxation	6	45,081	39,949
Taxation	7	(11,351)	(4,737)
Profit for the financial year	15	33,730	35,212

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

The notes on pages 8 to 18 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet
31 December 2003

	Notes	2003 £	2002 £
Fixed Assets			
Investment in notes issued by Windsor Investor 1 (Jersey) Limited	8	399,474,103	399,193,243
Current assets			
Personal Loans and credit card receivables - due within 1 year	9	50,419,977	98,818,754
Personal Loans and credit card receivables - due after more than 1 year	9	181,769,221	393,474,183
Debtors	10	5,014,405	33,804,251
Cash at bank and in hand	11	57,685,204	104,321,693
Creditors - amounts falling due within one year	12	(22,235,709)	(31,810,233)
Net current assets		<u>272,653,098</u>	<u>598,608,648</u>
Total assets less current liabilities		672,127,201	997,801,891
Creditors - amounts falling due after more than one year	13	(671,908,520)	(997,616,940)
Net Assets		<u>218,681</u>	<u>184,951</u>
Capital and reserves			
Called-up share capital	14	2	2
Profit and loss account	15	218,679	184,949
Shareholders' funds - Equity	15	<u>218,681</u>	<u>184,951</u>

The financial statements on pages 4 to 18 were approved by the Board of Directors on 16 March 2004 and were signed on its behalf by:



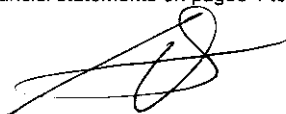
F. L. Newell - Director

The notes on pages 8 to 18 form an integral part of these consolidated financial statements.

Company Balance Sheet
31 December 2003

	Notes	2003 £	2002 £
Investment in subsidiaries	8	100,034	100,034
Net assets		<u>100,034</u>	<u>100,034</u>
Capital and reserves			
Called-up share capital	14	2	2
Profit and loss account	15	100,032	100,032
Shareholders' funds - Equity	15	<u>100,034</u>	<u>100,034</u>

The financial statements on pages 4 to 18 were approved by the Board of Directors on 16 March 2004 and were signed on its behalf by:



F. L. Newell - Director

The notes on pages 8 to 18 form an integral part of these financial statements.

Consolidated Cash Flow Statement
For the year ended 31 December 2003

	Notes	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	16	299,771,250	(78,478,017)
Returns on investments and servicing of finance			
Interest received		20,234,570	14,347,064
Interest paid		(40,148,196)	(50,008,510)
Cash outflow from returns on investments and servicing of finance		<u>(19,913,626)</u>	<u>(35,661,446)</u>
Taxation			
Corporation tax paid		(5,819)	(3,871)
Cash inflow/(outflow) before financing		<u>279,851,805</u>	<u>(114,143,334)</u>
Financing			
Issue of new debt securities net of repayments		(301,250,721)	119,711,690
Increase in prepaid arrangement expenses		-	(502,109)
Repayment of subordinated loans		(8,570,000)	-
Repayment of expenses loan		(351,468)	(663,883)
(Repayment)/receipt of facility loans		<u>(16,316,105)</u>	<u>6,495,085</u>
Cash (outflow)/inflow from financing		<u>(326,488,294)</u>	<u>125,040,783</u>
(Decrease)/Increase in cash	16	<u>(46,636,489)</u>	<u>10,897,449</u>

The notes on pages 8 to 18 form an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

General

(a) Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. Historical cost profit is not materially different to the Group profit on ordinary activities before and after taxation as shown in the consolidated profit and loss account for the year. The Company has taken advantage of the exemption in s230 (4) Companies Act 1985 from presenting its own profit and loss account. The Company's profit for the financial year was £nil (2002 - £12,500).

(b) Basis of consolidation

The consolidated accounts include the accounts of Prospect Heights (Holdings) Limited and its subsidiary undertakings made up to 31 December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from date of acquisition or up to the date of disposal.

In the Company's accounts, investment in subsidiary undertakings is stated at cost less amounts written off.

(c) Turnover

Turnover comprises interest receivable on personal loans and credit card receivables and other finance charges.

(d) Servicing fees

Servicing fees were payable by Prospect 2 plc, Prospect 3 plc, Prospect 4 plc, Winkfield Funding plc, Prospect 5 plc, Prospect 6 (Jersey) Ltd, Opus Series 1 plc and Affinity 001 plc under the terms of servicing agreements with those companies.

(e) Issue costs

Costs relating to the issue of finance are shown as a reduction of creditors in accordance with FRS 4 Capital Instruments and are amortised over the life of the financing structure.

(f) Fixed asset investment

Fixed asset securities are stated in the balance sheet at cost, adjusted for the amortisation of any discount on redemption value on a straight-line basis over the period to maturity. Investment income is accounted for on an accruals basis. Discount on purchase of securities is amortised through the profit and loss account from the purchase date to the maturity date.

(g) Personal loans

Personal loans are unsecured loans. The Personal Loans securitised under Prospect 2 plc and Winkfield Funding plc are revolving loans.

(h) Credit card receivables

The credit card receivables securitised under Opus Series 1 plc were revolving loans.

(i) Asset backed floating rate notes

Prospect 2 plc

The commercial paper issued by Prospect 2 plc was repaid using the proceeds from the sale of assets on 18 June 2003.

Prospect 3 plc:

The Class B asset backed floating rate notes were due April 2006 and accrued interest at a rate of LIBOR plus 0.325%. The Class B notes were repayable on the interest payment date falling in April 2006; however these notes were redeemed using proceeds from the sale of assets on 21 July 2003.

Prospect 4 plc:

The Class A asset backed floating rate notes are due May 2008 and accrue interest at a rate of LIBOR plus 0.325%. The Class B asset backed floating rate notes are due May 2008 and accrue interest at a rate of LIBOR plus 0.72%. The Class A and Class B notes are repayable on the interest payment date falling in May 2008 but proceeds from the redemption of assets can be used to redeem the notes at an earlier date.

Prospect 5 plc:

Prospect 5 plc has entered into a facility agreement with a third party under which Prospect 5 plc may issue US dollar denominated discounted notes which the third party is obliged to purchase (subject to certain pre-conditions). The proceeds of any issue are swapped into sterling and invested in notes issued by Prospect 2 plc and Winkfield Funding plc. The US dollar denominated notes issued by Prospect 5 plc have been recorded in the balance sheet at the value of the sterling proceeds of the spot currency contract executed on the date these notes were issued.

Prospect 6 (Jersey) Limited:

The Class A asset backed floating rate notes are due October 2010 and accrue interest at a rate of LIBOR plus 0.25%. The Class B asset backed floating rate notes are due October 2010 and accrue interest at a rate of LIBOR plus 0.75%. The Class A and Class B notes are repayable on the interest payment date falling due in October 2010 but proceeds from the redemption of assets can be used to redeem the notes at an earlier date.

Opus Series 1 plc:

The Class A asset backed floating rate notes were due September 2007 and accrued interest at a rate of LIBOR plus 0.10%. The Class B asset backed floating rate notes were due September 2007 and accrued interest at a rate of LIBOR plus 0.30%. The Class A and Class B notes were repayable on the interest payment date falling due in September 2007; however these notes were redeemed using proceeds from the sale of assets on 13 June 2003.

Affinity 001 plc:

The Class A asset backed floating rate notes are due May 2007 and accrue interest at a rate of LIBOR plus 0.18%. The Class B asset backed floating rate notes are due May 2007 and accrue interest at a rate of LIBOR plus 0.50%. The Class A and Class B notes are repayable on the interest payment date falling due in May 2007 but proceeds from the redemption of assets can be used to redeem the notes at an earlier date.

(j) Asset backed certificates and notes

The Prospect 3 plc Certificates were repaid in full in July 2003. The Prospect 4 plc Class C notes are due May 2008 and accrue interest at LIBOR plus 1.00%. The Prospect 6 (Jersey) Ltd. Class C notes are due October 2010 and accrue interest at LIBOR plus 1.75%. The Opus Series 1 plc Class C notes were repaid in full in June 2003. The Affinity 001 plc Class C notes are due May 2007 and accrue interest at LIBOR plus 1.40%.

(k) Subordinated Loans

Prospect 2 plc, Prospect 3 plc, Prospect 4 plc, Winkfield Funding plc, Prospect 6 (Jersey) Ltd. and Opus Series 1 plc had each entered into a subordinated loan agreement and a fees facility agreement.

Prospect 2 plc subordinated debt was repaid in full in June 2003. Prospect 3 plc subordinated debt was repaid in full in July 2003. Opus Series 1 plc subordinated debt was repaid in full in June 2003.

The terms of each securitisation require that the subordinated loans may be repaid in whole or part provided the subsidiary company has sufficient assets to meet its obligations on its Notes and other liabilities. The loans are intended to be repaid in full as follows:

Prospect 4 plc by May 2008

Winkfield Funding plc by May 2008

Prospect 6 (Jersey) Ltd. by October 2010

provided that in each case all payments then due in respect of the relevant company's Notes and Certificates have been paid or otherwise provided for in full

If, by the relevant date, the relevant subsidiary company has insufficient funds to repay its subordinated loan after paying its own Notes and Certificates in full, it shall only be obliged to repay its subordinated loan to the extent of funds available and as regards credit borrowings under the relevant facility agreement the subsidiary company shall thereafter be released from any further obligation to make any further repayments.

(l) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

	Group 2003 £	Group 2002 £
2 Turnover		
Interest received	35,105,954	58,132,820
All turnover arose from credit card receivables and personal loan receivables and originated from the United Kingdom		
3 Interest receivable		
Interest receivable on investment in loan notes, bank deposits and swap receipts	19,378,617	14,314,569
4 Interest payable		
Interest payable comprises:		
Interest on asset backed floating rate notes	(31,056,835)	(38,170,414)
Interest paid on mezzanine certificates	(193,240)	(425,929)
Interest on subordinated loans	(2,204,601)	(2,561,715)
Swap interest payable	(4,427,000)	(7,350,402)
	<u>(37,881,676)</u>	<u>(48,508,460)</u>
5 Administrative expenses		
Administrative expenses comprise:		
Servicing fees payable	(438,796)	(535,545)
Issue costs charged to the profit and loss account	(363,565)	(241,401)
Provision for bad and doubtful debts	(9,549,899)	(15,155,200)
Other expenses	(15,779,053)	(23,178,934)
	<u>(26,131,313)</u>	<u>(39,111,080)</u>
6 Operating profit and profit on ordinary activities before taxation		

The auditors' remuneration for audit work has been borne by HFC Bank Limited. There was no auditors' remuneration for non-audit work (2002 - £nil).

The Company has no employees. The Directors received no remuneration and did not exercise any share options in the Company or its Group during the year. No monies were paid to or receivable by any Director under any long-term incentive schemes from the Company or the Group. No contributions were paid by the Company or the Group to any pension scheme for any Director and no retirement benefits are accruing for any Director for which the Company or the Group has made a contribution.

Notes to the Financial Statements (cont.)

	Group 2003 £	Group 2002 £
7 Taxation		
Total current tax:		
UK Corporation Tax	10,301	4,737
Adjustment in respect of prior period	1,050	-
Total current tax and tax on profit on ordinary activities	<u>11,351</u>	<u>4,737</u>
The current tax charge for the period is lower than (2002: lower than) the standard rate of corporation tax in the UK of 30% (2002: effective small companies rate of 19.25%).		
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>45,081</u>	<u>39,949</u>
Current tax at 30% (2002 - 19.25%)	13,524	7,690
<i>Effects of:</i>		
Marginal relief	(3,223)	(2,953)
Adjustment in respect of prior years	1,050	-
Total current tax charge	<u>11,351</u>	<u>4,737</u>

8 Fixed Assets**(a) Investment in notes issued by Windsor Investor 1 (Jersey) Ltd.**

	2003 £	2002 £
Amortised costs and Net book value:		
At beginning of period	399,193,243	-
Notes purchased from Windsor Investor 1 (Jersey) Ltd	-	399,193,243
Amortisation of discount	280,860	-
At end of period	<u>399,474,103</u>	<u>399,193,243</u>

(b) Investment in subsidiaries

	Share in group undertakings Company 2003 £	Share in group undertakings Company 2002 £
Cost (or valuation)		
At beginning of year	100,034	87,534
Additions	-	12,500
At end of period	<u>100,034</u>	<u>100,034</u>
Net book value		
At 31 December	<u>100,034</u>	<u>100,034</u>

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Country of incorporation	Principal activity	Class of Share	Percentage of shares held	
				Group	Company
Prospect 1 plc	United Kingdom	Dormant	Ordinary	99.99%	99.99%
Prospect 1 Receivables Trustee Ltd	United Kingdom	Dormant	Ordinary	50.00%	50.00%
Prospect 2 plc	United Kingdom	Non-trading	Ordinary	99.99%	99.99%
Prospect 2 Receivables Trustee Ltd	United Kingdom	Non-trading	Ordinary	50.00%	50.00%
Prospect 3 plc	United Kingdom	Non-trading	Ordinary	99.99%	99.99%
Prospect 3 Receivables Trustee Ltd	United Kingdom	Non-trading	Ordinary	50.00%	50.00%
Prospect 4 plc	United Kingdom	Loan securitisation	Ordinary	99.99%	99.99%
Prospect 4 Receivables Trustee Ltd	United Kingdom	Receivables Trustee	Ordinary	50.00%	50.00%
Opus Series 1 plc	United Kingdom	Non-trading	Ordinary	99.99%	99.99%
Opus Master Receivables Trustee Ltd	United Kingdom	Non-trading	Ordinary	50.00%	50.00%
Winkfield Funding plc	United Kingdom	Loan securitisation	Ordinary	20.00%	20.00%
Prospect 5 Receivables Trustee Ltd	United Kingdom	Receivables Trustee	Ordinary	50.00%	50.00%
Prospect 5 plc	United Kingdom	Issuer of debt	Ordinary	99.99%	99.99%
Prospect 6 (Jersey) Ltd	Jersey	Loan securitisation	Ordinary	99.99%	99.99%
Prospect 6 Receivables Trustee (Jersey) Ltd	Jersey	Receivables Trustee	Ordinary	50.00%	50.00%
Affinity 001 plc	United Kingdom	Issuer of loan notes	Ordinary	99.99%	99.99%

Notes to the Financial Statements (cont.)

9 Personal Loans and Credit Card receivables

	2003 £	2002 £
The movement during the year was as follows:		
Securitised balances at start of year	492,292,937	788,521,800
Total acquisitions during the year	93,477,868	259,278,487
Total redemptions during the year	(319,927,054)	(540,352,150)
Sale of receivables	(24,104,653)	-
Movement in provision for bad and doubtful debts *	(9,549,900)	(15,155,200)
Securitised balances at end of year	<u>232,189,198</u>	<u>492,292,937</u>

* The movement in provision for bad and doubtful debts reflects the amounts charged to the profit and loss account

Remaining maturity:

1 year or less	50,419,977	98,818,754
5 years or less but over 1 year	142,347,349	365,895,483
5 years and more	39,421,872	27,578,700
Total	<u>232,189,198</u>	<u>492,292,937</u>

10 Debtors

	2003 £	2002 £
Due from facility provider	159,844	8,625
Due from HFC Bank Limited	2,783,134	21,381,216
Accrued income	2,071,425	12,414,410
Sundry debtor	2	-
	<u>5,014,405</u>	<u>33,804,251</u>

11 Cash at bank and in hand

	2003 £	2002 £
Balance at Bank	54,194,728	93,726,123
Balance held in Guaranteed Investment Contract accounts	3,490,476	10,595,570
	<u>57,685,204</u>	<u>104,321,693</u>

12 Creditors - amounts falling due within one year

	2003 £	2002 £
Facility agreement - fees	58,578	351,468
Corporation tax payable	9,901	4,369
Amount owed to HFC Bank Limited	15,719,607	13,034,640
Other creditors	286,921	6,370,738
Accrued expenses	6,160,702	12,049,018
	<u>22,235,709</u>	<u>31,810,233</u>

Notes to the Financial Statements (cont.)

13 Creditors - amounts falling due after more than one year

	2003 £	2002 £
Re Prospect 2 plc		
Subordinated loans	-	2,950,000
Facility loan	-	9,174,478
Re Prospect 3 plc		
Class B Notes	-	5,214,000
Certificates	-	9,550,000
Subordinated loans	-	3,370,000
Facility loan	-	7,083,566
Re Prospect 4 plc		
Class A Notes	17,440,800	84,680,000
Class B Notes	9,380,000	9,380,000
Class C Notes	7,120,000	7,120,000
Subordinated loans	4,500,000	4,500,000
Facility loan	6,151,693	5,365,468
Re Prospect 5 plc		
Privately rated discounted notes	29,405,683	115,372,054
Re Winkfield Funding plc		
Subordinated loans	19,826,000	19,826,000
Facility loan	7,044,309	5,752,801
Re Prospect 6 (Jersey) Ltd.		
Class A Notes	118,321,905	203,382,006
Class B Notes	22,998,492	22,986,664
Class C Notes	13,499,115	13,492,173
Subordinated loans	11,250,000	11,250,000
Facility agreement - fees loan	-	58,578
Deferred issue expense	(10,540)	(156,492)
Facility loan	5,506,960	3,305,523
Re Opus Series 1 plc		
Class A Notes	-	32,366,400
Class B Notes	-	9,000,000
Class C Notes	-	6,750,000
Subordinated loans	-	2,250,000
Facility loan	-	4,337,231
Re Affinity 001 plc		
Class A Notes	338,000,000	338,000,000
Class B Notes	26,000,000	26,000,000
Class C Notes	36,000,000	36,000,000
Deferred issue expense	(525,897)	(743,510)
	<u>671,908,520</u>	<u>997,616,940</u>

14 Share capital

	Company 31 December 2003	Company 31 December 2002
Authorised:		
Equity: 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued, allotted and fully paid:		
Equity: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes to the Financial Statements (cont.)

15 Reserves	Group 31 December 2003 £	Group 31 December 2002 £	Company 31 December 2003 £	Company 31 December 2002 £
Retained profit brought forward	184,949	149,737	100,032	87,532
Profit for the financial year	33,730	35,212	-	12,500
Retained profit carried forward	<u>218,679</u>	<u>184,949</u>	<u>100,032</u>	<u>100,032</u>
Reconciliation of movement in shareholders' funds				
Retained profit for the year	33,730	35,212	-	12,500
Net addition to shareholders' funds	<u>33,730</u>	<u>35,212</u>	<u>-</u>	<u>12,500</u>
Opening shareholders' funds	184,951	149,739	100,034	87,534
Closing shareholders' funds	<u>218,681</u>	<u>184,951</u>	<u>100,034</u>	<u>100,034</u>
16 Consolidated Cash Flow statement				
			Group Year ended 31 December 2003 £	Group Year ended 31 December 2002 £
Reconciliation of operating profit to operating cash flows				
Group operating profit			45,081	39,949
Purchase of notes issued by Windsor Investor 1 (Jersey) Ltd			-	(399,193,243)
Further purchase of receivables in the year			(93,477,868)	(259,278,487)
Provisions			9,549,900	15,155,200
Receivables redeemed during the year			319,927,054	540,352,150
Receivables sold to HFC Bank Limited			24,104,653	-
Interest paid			37,881,676	48,508,460
Interest received			(19,378,617)	(14,314,569)
(Decrease)/Increase in creditors - less than one year			(6,897,227)	3,845,447
Decrease/(Increase) in debtors			28,016,598	(13,592,924)
Net cash inflow/(outflow) from operating activities			<u>299,771,250</u>	<u>(78,478,017)</u>
Reconciliation of net cashflow to movement in net debt				
(Decrease)/Increase in cash			(46,636,489)	10,897,449
Amortisation of deferred issue costs			(363,565)	(304,648)
Amortisation of discount on notes			(123,419)	(359,447)
Cash outflow/(inflow) from decrease/(increase) in debt			326,488,294	(124,376,688)
Movement in net debt during the year			<u>279,364,821</u>	<u>(114,143,334)</u>
Net debt at beginning of year			(893,646,715)	(779,503,381)
Net debt at end of year			<u>(614,281,894)</u>	<u>(893,646,715)</u>
Analysis of net debt	At 1 January 2003	Cash flows	Non cash changes	At 31 December 2003
Cash at Bank and in hand	104,321,693	(46,636,489)	-	57,685,204
Debt due within one year	(351,468)	292,890	-	(58,578)
Debt due after more than one year	(997,616,940)	326,195,404	(486,984)	(671,908,520)
Net debt	<u>(893,646,715)</u>	<u>279,851,805</u>	<u>(486,984)</u>	<u>(614,281,894)</u>

Notes to the Financial Statements (cont.)**17 Financial Instruments****Liquidity Risk**

The Group manages its liquidity risk solely in respect of the holders of its debt instruments. Such mitigation is carried out in accordance with the detailed contractual terms relating to the Group's relevant debt securities.

Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities other than trade creditors and accruals, at 31 December, was as follows:

	31 December 2003 £	31 December 2002 £
1 year or less	-	-
2 years or less but over 1 year	-	-
5 years or less but over 2 years	487,146,586	573,436,890
More than 5 years	166,058,972	389,102,405
Total	<u>653,205,558</u>	<u>962,539,295</u>

Interest Rate Risk

Payments by customers under the Group's loan receivables comprise fixed monthly payments. In contrast, the Group's debt liabilities bear interest at a margin over sterling LIBOR. In order to control its exposure to interest rate risk the Group has entered into an interest rate swap for each pool of loan receivables that it has purchased. These swaps were entered into on or about the date that the relevant receivables were purchased and they match the maturity profile of the receivables.

Under the terms of each swap, the Group makes payments to the swap counterparty based on the fixed rates defined in the relevant swap agreement and the Group receives payments from the swap counterparty based on the relevant LIBOR reset relating to its debt securities.

The notional principal amount used for calculating such payments, in respect of any interest period, will be a specified proportion of the aggregate principal outstanding of the receivables in respect of which such swap transaction was entered into. The determination of the notional principal balance for each interest period for each swap is made on or about the date on which such interest period begins.

The Group does not take any other action to further reduce its interest rate exposure.

The Group does not use derivatives for creating risk that does not arise in the underlying business and the Group does not trade in derivatives. All derivatives are therefore designated as hedging instruments and accounted for using hedge accounting.

Fair value of financial instruments

The table below shows the estimated fair value and carrying value for each major category of financial assets and liabilities at 31 December. The table excludes certain financial assets and liabilities which are not listed or publicly traded, or for which a liquid and active market does not exist. Thus it excludes personal loan receivables and off balance sheet interest rate swaps (see below) whose book and fair values differ at 31 December.

	Carrying amount 2003	Fair value 2003	Carrying amount 2002	Fair value 2002
Investment in notes issued by Windsor Investor 1 (Jersey) Limited	399,474,103	400,000,000	399,193,243	400,000,000
Cash at bank	57,685,204	57,685,204	104,321,693	104,321,693
Loan notes	(617,629,558)	(618,181,733)	(918,393,295)	(919,432,454)
Total	<u>(160,470,251)</u>	<u>(160,496,529)</u>	<u>(414,878,359)</u>	<u>(415,110,761)</u>

Notes to the Financial Statements (cont.)

Interest rate sensitivity

The table below summarises the re-pricing mismatches across the Group's balance sheet as at 31 December. Within this table, items are allocated to time bands by reference to the earlier of their next contractual or expected interest rate re-pricing date, their final maturity date.

2003

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non interest bearing and excluded items	Total
Assets:							
Personal loans	64,136,089	10,326,691	20,246,602	119,326,806	18,153,010	-	232,189,198
Investment in notes issued by Windsor Investor 1 (Jersey) Limited	399,474,103	-	-	-	-	-	399,474,103
Debtors	-	-	-	-	-	5,014,405	5,014,405
Cash at bank and in hand	57,685,204	-	-	-	-	-	57,685,204
Total assets	521,295,396	10,326,691	20,246,602	119,326,806	18,153,010	5,014,405	694,362,910
Liabilities:							
Floating rate notes	588,760,312	-	-	-	-	(536,437)	588,223,875
Debt securities	29,405,683	-	-	-	-	-	29,405,683
Subordinated loans	35,576,000	-	-	-	-	-	35,576,000
Facility loans	-	-	-	-	-	18,702,962	18,702,962
Other creditors	58,578	-	-	-	-	22,177,131	22,235,709
Shareholders funds	-	-	-	-	-	218,681	218,681
Total liabilities	653,800,573	0	0	0	0	40,562,337	694,362,910
Off balance sheet items:							
Asset	274,078,634	-	-	-	-	-	274,078,634
Liability	220,372,745	3,345,928	6,546,301	38,095,165	5,718,495	-	274,078,634
Interest rate sensitivity gap	(78,799,288)	6,980,763	13,700,301	81,231,641	12,434,515	(35,547,932)	0
Cumulative gap	(78,799,288)	(71,818,525)	(58,118,224)	23,113,417	35,547,932	0	0

2002

	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non interest bearing and excluded items	Total
Assets:							
Personal loans & credit cards	194,645,726	17,445,658	34,512,343	204,855,006	27,578,697	13,255,507	492,292,937
Investment in notes issued by Windsor Investor 1 (Jersey) Limited	399,193,243	-	-	-	-	-	399,193,243
Debtors	-	-	-	-	-	33,804,251	33,804,251
Cash at bank and in hand	104,321,693	-	-	-	-	-	104,321,693
Total assets	698,160,662	17,445,658	34,512,343	204,855,006	27,578,697	47,059,758	1,029,612,124
Liabilities:							
Floating rate notes	803,921,243	-	-	-	-	(900,002)	803,021,241
Debt securities	115,372,054	-	-	-	-	-	115,372,054
Subordinated loans	44,146,000	-	-	-	-	-	44,146,000
Facility loans	-	-	-	-	-	35,077,645	35,077,645
Other creditors	410,046	-	-	-	-	31,400,187	31,810,233
Shareholders funds	-	-	-	-	-	184,951	184,951
Total liabilities	963,849,343	0	0	0	0	65,762,781	1,029,612,124
Off balance sheet items:							
Asset	448,428,459	-	-	-	-	-	448,428,459
Liability	312,992,360	8,308,160	16,435,841	97,558,271	13,133,827	-	448,428,459
Interest rate sensitivity gap	(130,252,582)	9,137,498	18,076,502	107,296,735	14,444,870	(18,703,023)	0
Cumulative gap	(130,252,582)	(121,115,084)	(103,038,582)	4,258,153	18,703,023	0	0

Notes to the Financial Statements (cont.)

The following table summarises the contract amount, as at the balance sheet date, of third party off-balance sheet interest rate swaps. Under the terms of these interest rate swaps, the notional principal for each interest period is tied to the outstanding principal of specified underlying receivables (see Interest Rate Risk).

The future notional principal balances of such interest rate swaps are therefore subject to prospective prepayment, delinquency and loss rates in relation to the relevant underlying receivables. Due to the high degree of subjectivity in estimating the future outstanding notional principal in relation to its interest rate swaps, the Group has not attempted to estimate either their market value or replacement cost.

	2003 Contract or underlying principal amounts	2002 Contract or underlying principal amounts
Used to manage interest rate risk		
Interest rate swaps	274,078,634	448,428,459
Total	274,078,634	448,428,459
With OECD financial institutions	274,078,634	448,428,459
Total	274,078,634	448,428,459
In not more than one year	230,264,974	337,736,361
In more than one year but not more than five years	38,095,165	97,558,271
In more than five years	5,718,495	13,133,827
Total	274,078,634	448,428,459

18 Related Party Transactions

The Company has identified the following transactions which are required to be disclosed under the terms of Financial Reporting Standard 8, "Related Party Disclosures" ("FRS8")

Transactions with HFC Bank Limited**Prospect 1 Receivables Trustee Ltd**

At 31 December 2003 HFC Bank Limited owed £4,800 (2002:£4,800) to the Company in relation to trustee remuneration. HFC Bank Limited was owed £2,400 (2002: £2,400) by the Company in relation to trustee expenses.

Prospect 2 plc

In December 1995, the Company purchased revolving personal loans of £187.1 m from HFC Bank Limited, a company which could be construed as being a related party as defined by FRS 8 by virtue of the fact that the purchased loans continue to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £46,429 (2002: £91,343) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £nil (2002: £3,000) in respect of these fees.

During the year, HFC Bank Limited earned £6.9 m (2002: £16.3 m) in relation to income entitlements in its capacity as a beneficiary of the receivables trust. At 31 December 2003 HFC Bank Limited owed £nil (2002:£1.3 m) to the Company in respect of income entitlement, and HFC Bank Limited was owed £0.06 m (2002: £1.041 m) by the Company in respect of income entitlement.

On 18 June 2003 all personal loan receivables were sold to HFC Bank Limited for £16 m at no gain, no loss.

Prospect 2 Receivables Trustee Ltd

At 31 December 2003 HFC Bank Limited owed £6,000 (2002:£5,600) to the Company in relation to trustee remuneration and HFC Bank Limited was owed £3,050 (2002: £2,840) by the Company in relation to trustee expenses.

Prospect 3 plc

In November 1996, the Company purchased loan advances of £222.0 million from HFC Bank Limited, a company which could be construed as being a related party as defined by FRS 8 by virtue of the fact that the purchased loans continued to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £56,117 (2002: £99,046) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £nil (2002: £18,883) in respect of these fees.

During the year, HFC Bank Limited earned £1.9 m (2002: £5.0 m) in relation to income entitlements in its capacity as a beneficiary of the receivables trust, and is owed £nil (2002: £1.0 m) in income entitlement at the year end.

On 21 July 2003 all personal loan receivables were sold to HFC Bank Limited for £6.9 m at no gain, no loss.

Prospect 3 Receivables Trustee Ltd

At 31 December 2003 HFC Bank Limited owed £5,600 (2002:£5,000) to the Company in relation to trustee remuneration and HFC Bank Limited was owed £2,850 (2002: £2,540) by the Company in relation to trustee expenses.

Notes to the Financial Statements (cont.)

Prospect 4 plc

In November 1998, the Company purchased loan advances of £150 m from HFC Bank Limited, a company which could be construed as being a related party as defined by FRS 8 by virtue of the fact that the purchased loans continue to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £100,009 (2002: £100,000) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £ 9,248 (2002: £9,239) in respect of these fees.

During the year, HFC Bank Limited earned £5.0 m (2002: £13.7 m) in relation to income entitlements in its capacity as a beneficiary of the receivables trust, and is owed £4.3 m (2002: £0.9 m) in income entitlement at the year end.

Under the terms of the securitisation agreement the Company is entitled to purchase further qualifying loan advances from HFC Bank Limited which it offers for sale within a defined substitution period. During the year the Company has acquired £nil (2002: £43 m) of qualifying loan advances from HFC Bank Limited under this agreement.

Prospect 4 Receivables Trustee Ltd

At 31 December 2003 HFC Bank Limited owed £4,000 (2002: £14,040,691) to the Company in relation to trustee remuneration and income entitlement and HFC Bank Limited was owed £2,050 (2002: £1,640) by the Company in relation to trustee expenses.

Winkfield Funding plc

In March 2000, the Company purchased revolving personal loans of £150.0 m from HFC Bank Limited, a company which could be construed as being a related party as defined by FRS 8 by virtue of the fact that the purchased loans continue to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £80,003 (2002: £79,596) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £ 2,800 (2002: £2,900) in respect of these fees.

During the year, HFC Bank Limited earned £17.1 m (2002: £22.0 m) in relation to income entitlements in its capacity as a beneficiary of the receivables trust, and is owed £5.7 m (2002: £0.7 m) in income entitlement at the year end.

Under the terms of the securitisation agreement the Company is entitled to purchase further qualifying loan advances from HFC Bank Limited which it offers for sale within a defined substitution period. During the year the Company has acquired £4.4 m (2002: £59.6 m) of qualifying loan advances from HFC Bank Limited under this agreement.

Prospect 5 plc

The Company has entered into a servicing agreement with HFC Bank Limited. HFC Bank Limited earned £22,998 (2002: £22,884) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £819 (2002: £821) in respect of these fees.

Prospect 5 Receivables Trustee Ltd

At 31 December 2003 HFC Bank Limited owed £3,000 (2002: £2,200) to the Company in relation to trustee remuneration and HFC Bank Limited was owed £1,550 (2002: £1,140) by the Company in relation to trustee expenses.

Prospect 6 (Jersey) Ltd

In December 2000, the Company purchased loan advances of £250.0 m from HFC Bank Limited, a company which could be construed as being a related party as defined by FRS 8 by virtue of the fact that the purchased loans continue to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £99,824 (2002: £100,272) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £ 20,748 (2002: £20,924) in respect of these fees.

During the year, HFC Bank Limited earned £15.6 m (2002: £22.7 m) in relation to deferred purchase consideration, and is owed £5.4 m (2002: £6.3m) in deferred purchase consideration at the year end.

Under the terms of the securitisation agreement the Company is entitled to purchase further qualifying loan advances from HFC Bank Limited which it offers for sale within a defined substitution period. During the year the Company has acquired £89 m (2002: £157 m) of qualifying loan advances from HFC Bank Limited under this agreement.

Prospect 6 Receivables Trustee (Jersey) Limited

At 31 December 2003 HFC Bank Limited owed £2,200 (2002: £5,819,348) to the Company in relation to trustee remuneration and income entitlement and HFC Bank Limited was owed £1,900 (2002: £1,100) by the Company in relation to trustee expenses.

Opus Series 1 plc

In November 1997, the Company purchased current and future receivables arising under credit card accounts for consideration of £150.0 m from HFC Bank Limited, a group which could be construed as being under common control as defined by FRS 8 by virtue of the fact that the purchased receivables continue to be managed under an outsourcing agreement by HFC Bank Limited. HFC Bank Limited earned £180 (2002: £403) in servicing fees in the year. At 31 December 2003, HFC Bank Limited was owed £nil (2002: £20) in respect of these fees.

During the year, HFC Bank Limited earned £4.1 m (2002: £9.2 m) in relation to income entitlements in its capacity as a beneficiary of the receivables trust, and is owed £nil (2002: £2.9 m) by the Company in respect of income entitlement.

At 31 December 2003, HFC Bank Limited owed the Company £3,739 (2002: £nil) in relation to originator entitlement.

On 13 June 2003 all credit card receivables were sold to HFC Bank Limited for £1.2 m at no gain, no loss.

Opus Master Receivables Trustee Ltd

At 31 December 2003 HFC Bank Limited owed £232,300 (2002: £212,100) to the Company in relation to trustee remuneration and HFC Bank Limited was owed £230,050 (2002: £210,040) by the Company in relation to trustee expenses.

Prospect Heights (Holdings) Ltd.

Notes to the Financial Statements (cont.)

Transactions with Household Global Funding, Inc

Prospect 2 plc

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £nil (2002: £2.95 m) by the Company in respect of the subordinated loan.

Prospect 3 plc

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £nil (2002: £3.4 m) by the Company in respect of the subordinated loan.

Prospect 4 plc

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £4.5 m (2002: £4.5 m) by the Company in respect of the subordinated loan.

Winkfield Funding plc

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £19.8 m (2002: £19.8 m) by the Company in respect of the subordinated loan.

Prospect 6 (Jersey) Ltd

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £11.25 m (2002: £11.25 m) by the Company in respect of a subordinated loan.

Opus Series 1 plc

At 31 December 2003 Household Global Funding, Inc., a related company to HFC Bank Limited was owed £nil (2002: £2.25 m) by the Company in respect of a subordinated loan.

19 Ultimate Parent Undertaking

The entire issued share capital of Prospect Heights (Holdings) Limited is held by Royal Exchange Trust Company Limited, a company registered in England, and its nominee as trustee for various United Kingdom institutions established for charitable purposes.