

Prospect 6 (Jersey) Ltd

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Prospect 6 (Jersey) Ltd

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 DECEMBER 2001

Registered in Jersey
Company No. 78542

Registered Office: 3 Old Street
St Helier
Jersey
Channel Islands



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Directors' Report

The Directors present their annual report together with the audited financial statements of the Company for the period from incorporation to 31 December 2001.

Incorporation

The Company was incorporated on 30 October 2000.

Principal activities

The principal activity of the Company is the acquisition and servicing of personal loans.
The loans are principally financed by the issuing of medium term debt raised on the Eurobond market.

Financial results

The Company made a profit on ordinary activities after taxation of £1,510 which has been taken to reserves.
The Directors do not recommend the payment of a dividend.

Business review

The Directors believe the current levels of activity will continue for the foreseeable future.

Directors and their interests

The Directors who served during the period are as follows:

B. D. Needham	- Appointed as Director - 30 October 2000
P.M. Hills	- Appointed as Director - 30 October 2000
F.L. Newell	- Appointed as Director - 30 October 2000
R.M.C. Blackie	- Appointed as Director - 30 October 2000
J. Coward	- Appointed as Alternate to R.M. C. Blackie 27 November 2000
C.J. Rivers	- Appointed as Alternate to F.L. Newell on 27 November 2000

Secretary

Mourant & Co. Secretaries Limited	- Appointed 27 November 2000
	- Resigned 12 October 2001
Basel Corporate Services (Channel Islands) Limited	- Appointed 12 October 2001

None of the Directors had at any time during the period any disclosable interest in the shares or loan notes of the Company.

Close Company status

The Company is not a close Company within the provisions of the Income and Corporation Taxes Act 1988.

Directors' responsibilities

The Directors are required to prepare financial statements 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.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In preparing the 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; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Jersey) Law 1991. 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.

Directors Report (cont.)

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. Where no payment terms have been agreed for goods or services, payment typically occurs within 60 days of receipt of the invoice. Trade creditor days for the Company as at 31 December 2001 were zero days. This represents the ratio, expressed in days, between the amount due to suppliers at the end of the period by the Company and the amount invoiced by suppliers in the period.


Euro

As all the Company's activities are carried out in the United Kingdom, the introduction of the Euro has had no effect.

Auditors

Arthur Andersen, having indicated their intention to resign as auditors to the Company, and there being no circumstances connected with the same which Arthur Andersen considered should be brought to the notice of the members or creditors of the Company, the Board noted that, with effect from the date of Arthur Andersen's resignation as auditors to the Company, alternative auditors would be required and, in such an event, the Board would meet to make the necessary appointment. A resolution proposing the appointment of auditors to the Company will be put to the next General Meeting of the Company at which the financial statements are laid.

BY ORDER OF THE BOARD


Basel Corporate Services (Channel Islands) Limited
Secretary

29 April 2002

Independent Auditors' Report

To the Shareholders of Prospect 6 (Jersey) Limited

We have audited the financial statements of Prospect 6 (Jersey) Limited for the period ended 31 December 2001, which comprise the Profit and loss account, Balance sheet and the related notes numbered 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 (Jersey) Law 1991. 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 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 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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 at 31 December 2001 and of the company's profit for the period then ended and have been properly prepared in accordance with The Companies (Jersey) Law 1991.



Arthur Andersen
Chartered Accountants
180 Strand
London WC2R 1BL

29 April 2002

Profit and Loss Account

For the period ended 31 December 2001

	Notes	2001 £
Finance revenues	2	30,787,376
Investment income and swap receipts	2	1,044,439
Interest payable and similar charges	2	(15,860,834)
Net finance income		<u>15,970,981</u>
Other income		3,748,469
Expenses	2	(19,717,622)
Profit on ordinary activities before taxation		<u>1,828</u>
Taxation on profit on ordinary activities	3	(318)
Profit on ordinary activities after taxation		<u>1,510</u>

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

The notes on pages 7 to 10 form an integral part of these financial statements.

Balance Sheet
31 December 2001

	Notes	2001 £
Personal Loans	4	250,165,200
Cash at bank and in hand	5	1,086,284
Debtors	6	354
Creditors - amounts falling due within one year	7	(318)
Net current assets		251,251,520
Creditors - amounts falling due after more than one year	8	(251,250,000)
Net assets		1,520
Capital and reserves		
Called-up partly paid share capital	9	10
Profit and loss account	10	1,510
Shareholders funds'		1,520

The financial statements on pages 5 to 10 were approved by the Board of Directors on 29 April 2002 and are signed on its behalf by:


F. L. Newell - Director

The notes on pages 7 to 10 form an integral part of these financial statements.

Notes to the Financial Statements**1 Principal accounting policies**

A summary of the principal accounting policies is set out below, all of which have been applied consistently throughout this period.

General**(a) Basis of preparation**

The financial statements have been prepared on the historical cost basis of accounting and in accordance with applicable Accounting Standards and Statements of Recommended Accounting Practice. Under the provisions of Financial reporting Standard No. 1 (revised), the Company has not prepared a cash flow statement because its Holding Company, Prospect Heights (Holdings) Limited, which is incorporated in the United Kingdom, has prepared consolidated accounts which are publically available. Historical cost profit is not materially different to the Company profit on ordinary activities before and after taxation as shown in the profit and loss account for the period.

(b) Turnover

Turnover comprises interest receivable and other finance charges.

(c) Servicing fees

Servicing fees are payable by the Company under the terms of the servicing agreement with HFC Bank plc.

(d) Issuer costs

Costs relating to the issuance of finance are shown as a reduction of creditors in accordance with FRS 4 Capital Instruments. The issuance costs have been funded by the fees part of the facility agreement and have been amortised over the life of the financing structure. The income to repay the fees part of the facility agreement has been recognised to match the amortisation of these issuer costs.

(e) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

2 Profit on ordinary activities before taxation

	Period ended 31 December 2001 £
The profit on ordinary activities before taxation is stated after crediting/(charging):	
(a) Interest received in respect of customer accounts	30,787,376
(b) Investment income and swap receipts	1,044,439
(c) Interest payable and similar charges	
Interest on asset backed floating rate notes	(14,858,401)
Interest on subordinated loan	(916,391)
Interest on fees part of facility agreement	(86,042)
	(15,860,834)
(d) Expenses	
Servicing fees payable	(95,652)
Issue costs charged to the profit and loss account	(626,530)
Provision for bad and doubtful debts	(3,748,469)
Deferred consideration *	(14,214,096)
Other expenses	(1,032,875)
	(19,717,622)

* This is total deal revenue that is surplus to the amount required for Prospect 6 (Jersey) Ltd's liabilities. Hence it is paid to HFC Bank plc as surplus/residual income.

(e) The auditors' remuneration for audit work has been borne by HFC Bank plc. There was no auditors' remuneration for non audit work.

(f) All interest income and operating income is derived from operating activities in the United Kingdom.

(g) The profit on ordinary activities before taxation derives from continuing activities.

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

Notes to the Financial Statements (cont.)

	Period ended 31 December 2001 £
3 Taxation	
Tax charge for the period (tax charge at 17.4%)	318
Tax is charged at the small companies rate.	
4 Personal Loans	31 December 2001 £
Initial securitisation balance in December 2000	249,992,091
Substitutions net of repayments during the period	108,443,650
Redemptions during the period	(108,270,541)
Securitised Personal Loans - end of year	250,165,200
The personal loans are all due to be repaid at various times before October 2010.	
Personal Loans are unsecured loans.	
5 Cash at bank and in hand	31 December 2001 £
Balance at Bank	1,484
Balance held in Guaranteed Investment Contract account	1,084,800
	1,086,284
6 Debtors	31 December 2001 £
Other	354
	354
7 Creditors - amounts falling due within one year	31 December 2001 £
Corporation Tax payable	318
	318

Notes to the Financial Statements (cont.)**31 December****2001****£****8 Creditors - amounts falling due after more than one year**

Class A notes		203,500,000
Class B notes		23,000,000
Class C notes		13,500,000
Subordinated loans	14,998,469	
Less: amounts not repayable *	(3,748,469)	11,250,000
		<u>251,250,000</u>

* In the opinion of the Directors, the sum of £3,748,469 of subordinated loans will not become repayable under the various agreements of this securitisation structure.

The AAA rated Class A notes in the amount of £203.5 million are due October 2010 and accrue interest at a rate of LIBOR plus 0.25%.

The A rated Class B notes in the amount of £23 million are due October 2010 and accrue interest at a rate of LIBOR plus 0.75%.

The BBB rated Class C notes in the amount of £13.5 million are due October 2010 and accrue interest at a rate of LIBOR plus 1.75%.

The Company has entered into a subordinated loan agreement and a facility agreement. The facility agreement provides credit and fees facilities.

The subordinated loan and the credit part of the facility agreement (the "Subordinated Loans") may be repaid in whole or in part provided the Company has sufficient assets to meet its obligations on the asset backed floating rate notes.

If the Company has insufficient funds after paying the asset backed floating rate notes in full, it shall only be obliged to repay the loans to the extent of funds available.

The fees part of the facility agreement accrues interest at LIBOR plus 2.25% and a reserve asset rate.

9 Share capital**31 December****2001****£**

Authorised:

1,000 ordinary shares of £1 each	<u>1,000</u>
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Allotted and fully paid:

10 ordinary shares of £1 each	<u>10</u>
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Substantial shareholdings:

On 31 December 2001, the following were registered as being interested in 3% or more of the Company's ordinary share capital:

Name	Number held	Percentage held
Prospect Heights (Holdings) Limited	<u>10</u>	<u>100.00%</u>

10 Reserves**31 December****2001****£**

Retained profit for period	1,510
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Closing retained profit	<u>1,510</u>
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Reconciliation of shareholders' funds

Retained profit for the period	1,510
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New share capital subscribed for	10
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Closing shareholders' funds	<u>1,520</u>
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Notes to the Financial Statements (cont.)

11 Holding Company

The Company's holding Company is Prospect Heights (Holdings) Limited, the consolidated accounts of which are available to the public from its registered office at North Street, Winkfield, Windsor, Berkshire, SL4 4TD.

The entire issued share capital of the holding Company 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.

Prospect 6 (Jersey) Limited is registered in Jersey, Channel Islands and operates in the United Kingdom.