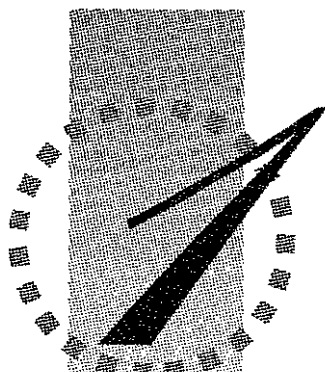


FIRST RETAIL FINANCE LIMITED

Report and Accounts Year Ended 31 January 1996



FIRST RETAIL FINANCE



REGISTRATION NO: 2862551

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FIRST RETAIL FINANCE LIMITED

Report of the Directors for the year ended 31 January 1996

The directors submit their report together with the audited accounts for the year ended 31 January 1996.

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 loss after taxation for the year of £510,000.

The company has continued to expand its operations in a satisfactory manner and as a result of the increased level of activity an additional £23 million of customer debt was outstanding at the year end.

The directors expect both a continuing increase in the level of activity and the company to make a profit in the forthcoming year.

Post Balance Sheet Events

On 24 April 1996, the trade debt of the personal loan operation of the company were sold for £7,117,026, being £1 over the net book value, to First Retail Finance (Chester) Limited, a related company.

Directors

S. Fairbank
I. P. Campbell
M. H. A. Astbury

R. Littler
R. J. Mee
J. E. Rowley

K.W. Maynard (appointed 1 March 1996)

Unless otherwise indicated the Directors served on the board throughout the period.

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 (Continued)

Tangible Fixed Assets

A table of the movement in Tangible Fixed Assets is shown on Page 10.

Auditors

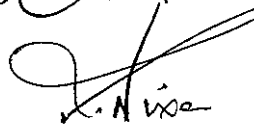
Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

E PHILLIPS



R NIXON



Joint Secretaries

NWS House
City Road
CHESTER

26 APRIL 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

FIRST RETAIL FINANCE LIMITED

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 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG
Chartered Accountants
Registered Auditor
Leeds

3 May 1996

**FIRST RETAIL FINANCE LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 1996**

		Year ended 31st January 1996	14 October 1993 to 31 January 1995
	Notes	£'000	£'000
TURNOVER	2	2,118	107
Finance and trading costs		1,903	179
		<hr/>	<hr/>
GROSS PROFIT / (LOSS)		215	(72)
Administration expenses		732	66
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(517)	(138)
Tax on loss on ordinary activities	4	7	45
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(510)	(93)
		<hr/>	<hr/>
LOSS INCURRED FOR THE FINANCIAL YEAR	12	(510)	(93)
		<hr/>	<hr/>

RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the loss on ordinary activities after taxation of £510,000 in the year ended 31 January 1996 and a loss on ordinary activities after taxation of £93,000 in the period ended 31 January 1995.

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

FIRST RETAIL FINANCE LIMITED

BALANCE SHEET AS AT 31 JANUARY 1996

	Notes	1996 £'000	1995 £'000
Fixed assets			
Tangible assets	6	35	-
		<hr/> 35	<hr/> -
Current assets			
Debtors - amounts falling due within one year	7	13,021	309
Debtors - amounts falling due after one year		11,051	592
Cash at Bank		1,085	-
		<hr/> 25,157	<hr/> 901
Creditors - Amounts falling due within one year	8	(20,324)	(322)
NET CURRENT ASSETS		<hr/> 4,833	<hr/> 579
TOTAL ASSETS LESS CURRENT LIABILITIES		4,868	579
Creditors - Amount falling due after more than one year	9	(2,750)	(551)
NET ASSETS		<hr/> 2,118	<hr/> 28
CAPITAL AND RESERVES			
Called up share capital	11	2,721	121
Profit and loss account	12	(603)	(93)
EQUITY SHAREHOLDER'S FUNDS		<hr/> 2,118	<hr/> 28

These Accounts were approved by the Board of Directors on 26 April 1996.

I. CAMPBELL)

R J. MEE)

DIRECTORS

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

FIRST RETAIL FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JANUARY 1996

	Notes	Year ended 31 January 1996 £'000	14 October 1995 to 31 January 1995 £'000
Net cash outflow from operating activities	10a	(23,469)	(878)
Returns on investments and servicing of finance		-	-
Taxation			
Group relief received		45	-
Investing activities			
Purchase of tangible fixed assets		(44)	-
Net cash outflow before financing		<u>(23,468)</u>	<u>(878)</u>
Financing			
Issue of ordinary share capital		2,600	121
Increase in amount owed to Joint Venture parties	10c	<u>21,971</u>	<u>739</u>
Net cash inflow from financing		<u>24,571</u>	<u>860</u>
Increase / (decrease) in cash and cash equivalents	10b	<u>1,103</u>	<u>(18)</u>

**FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996**

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

Retail Credit

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.

Personal Loans

Provision is made:-

- i) specifically against individual balances considered to be of doubtful recoverability;
- ii) as a general provision against finance debtors to cover unforeseen contingencies.

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 - 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 losses relate to continuing services provided within the United Kingdom.

FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996 (Continued)

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
This is stated after charging:		
Auditors' remuneration - audit	4	1
- other	-	-
Directors' emoluments	-	-
Depreciation	9	-
Interest on bank overdrafts and loans repayable within 5 years.	5	-
Interest payable to joint venture parties on loans repayable within 5 years.	614	7

The company has no employees. It uses the services of joint venture parties for which management charges are made.

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
Taxation based on the loss for the year is made up as follows:		
Group relief receivable		
- Current year	(8)	(45)
Prior years	1	-
	<hr style="width: 100%; border: none; border-top: 1px solid black; margin-bottom: 5px;"/> (7)	<hr style="width: 100%; border: none; border-top: 1px solid black; margin-bottom: 5px;"/> (45)

Taxation for the year is based on a corporation tax rate of 33%.

FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996 (Continued)

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:-

	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
Accelerated capital allowances	2	-
Other timing differences	158	-
	<u>160</u>	<u>-</u>

6. TANGIBLE FIXED ASSETS

	Computer hardware £'000	Total £'000
Cost		
At 1 February 1995	-	-
Additions at cost	44	44
At 31 January 1996	<u>44</u>	<u>44</u>
Depreciation		
At 1 February 1995	-	-
Charge for period	9	9
At 31 January 1996	<u>9</u>	<u>9</u>
Net Book Amount		
At 31 January 1996	35	35
At 1 February 1995	<u>-</u>	<u>-</u>

FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996 (Continued)

7. DEBTORS

	1996 £'000	1995 £'000
Debtors:-		
Amounts falling due within one year		
Finance debtors	12,760	203
Group relief receivable	7	45
Other debtors	254	61
	<u>13,021</u>	<u>309</u>

All debtors falling due after one year are finance debtors.

8. CREDITORS: Amounts falling due within one year

	1996 £'000	1995 £'000
Amount owed to joint venture parties	19,960	188
Bank overdraft	-	18
Other creditors	364	116
	<u>20,324</u>	<u>322</u>

9. CREDITORS: Amounts falling due after one year

	1996 £'000	1995 £'000
Amount owed to joint venture parties	2,750	551
	<u>2,750</u>	<u>551</u>

FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996 (Continued)

10. **CASH FLOW STATEMENT**

a) Reconciliation of operating loss to net cash outflow from operating activities	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
Operating loss	(517)	(138)
Depreciation on tangible fixed assets	9	-
Net increase in creditors	248	116
Net increase in debtors	(23,209)	(856)
Net cash outflow from operating activities	<u>(23,469)</u>	<u>(878)</u>

b) Analysis of changes in cash and cash equivalents during the year	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
Opening balance	(18)	-
Net cash inflow / (outflow)	1,103	(18)
Closing balance	<u>1,085</u>	<u>(18)</u>

**Amount owed to joint
venture parties**

c) Analysis of changes in financing during the period	Year ended 31 January 1996 £'000	14 October 1993 to 31 January 1995 £'000
Opening balance	739	-
Net movement	21,971	739
Closing balance	<u>22,710</u>	<u>739</u>

FIRST RETAIL FINANCE LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 1996 (Continued)

11. SHARE CAPITAL

Ordinary shares of £1 each

	1996	1995
Authorised		
'A' shares	5,000,000	5,000,000
'B' shares	5,000,000	5,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
 Allotted, called up and fully paid		
'A' shares held by NWS BANK plc	1,360,500	60,500
'B' shares held by Club 24 Limited	1,360,500	60,500
	<u>2,721,000</u>	<u>121,000</u>

In order to strengthen the company's capital base, 1,300,000 'A' shares and 1,300,000 'B' shares were issued for cash at par to NWS BANK plc and Club 24 Limited respectively, on 31st January 1996.

12. RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £'000	Profit & Loss Account £'000	Total £'000
14 October 1993 to 31 January 1995			
Capital subscribed	121	-	121
Loss for the financial period	-	(93)	(93)
	<u>121</u>	<u>(93)</u>	<u>28</u>
At 1 February 1995	121	(93)	28
Capital subscribed	2,600	-	2,600
Loss for the year	-	(510)	(510)
	<u>2,721</u>	<u>(603)</u>	<u>2,118</u>
At 31 January 1996	2,721	(603)	2,118

13. POST BALANCE SHEET EVENTS

On 24 April 1996, the trade debt of the personal loan operation of the company were sold for £7,117,026, being £1 over the net book value, to First Retail Finance (Chester) Limited, a related company.