

DOWNLAND DEBT RECOVERY LIMITED
(Registered Number 1192575)
REPORT AND FINANCIAL STATEMENTS FOR THE
56 WEEKS ENDED 26 FEBRUARY 2000



Downland Debt Recovery Limited
(Registered Number 1192575)

Report of the Directors

for the 56 weeks ended 26 February 2000

The directors submit their report and financial statements for the 56 weeks ended 26 February 2000.

1. ***Directors*** J J Pearmund
 I C Percival

2. ***Directors' interests***

The directors of the Company are shown above. During the period, liability insurance was maintained for the Company's directors and officers.

Mr J J Pearmund, and Mr I Percival are directors of the immediate parent company and their interests are shown in the report of that Company.

3. ***Principal activities***

The Company is engaged in the collection of debts owed originally to the immediate parent company, Freemans PLC, and other Group undertakings.

4. ***Results and dividends***

The full results of the company's operations are set out on page 5. No dividend is proposed. The profit for the period has been transferred to reserves as shown in note 8 to the financial statements.

5. ***Business Review and Prospects***

The Company traded satisfactorily during the period in a difficult economic climate. It is anticipated that the Company will continue to operate satisfactorily in the coming year.

6. ***Supplier Payments***

Group companies agree terms and conditions for transactions with suppliers and payment is made on these terms, subject to the supplier meeting the agreed terms and conditions.

7. ***Year 2000***

The Year 2000 issue is one that affects all companies. We have completed a review to ensure that our business systems are Year 2000 compliant. The Company has not experienced any problems to date. The nature of this issue is such that it is not possible to guarantee that no Year 2000 problems will arise. The Company may also be affected by future Year 2000 related problems at third parties with whom it deals. However the Directors consider that appropriate steps have been taken to protect the business in this regard.

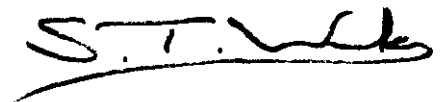
Downland Debt Recovery Limited

Report of the Directors (continued)

for the 56 weeks ended 26 February 2000

8. *Auditors*

Following the acquisition of Freemans by Otto Versand (GmbH & Co) PricewaterhouseCoopers resigned as auditors. The directors have appointed KPMG to fill the casual vacancy created by the resignation. KPMG have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

A handwritten signature in black ink, appearing to read 'S. T. Weeks', with a long horizontal flourish underneath.

By order of the board
S T Weeks, Secretary

Downland Debt Recovery Limited

Directors' Responsibility Statement

The directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The directors consider that in preparing the financial statements on pages 5 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are required to prepare financial statements on a going concern basis unless it is not appropriate to assume that the Company will continue in business.

Auditors' Report to the members of Downland Debt Recovery Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors report and, as described on page 3, 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 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. 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 is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 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 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 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 the affairs of the Company as at 26 February 2000 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

7 July 2000

KPMG
Chartered Accountants
Registered Auditors

1 Puddle Dock
London
EC4V 3PD

Downland Debt Recovery Limited

Profit and loss account

56 weeks ended 26 February 2000

	Notes	56 Weeks Ended 26.2.2000 £000	52 Weeks Ended 30.1.1999 £000
<i>Turnover</i>	1 (b)	12,007	11,470
Cost of sales		(10,884)	(9,552)
		—	—
<i>Gross profit</i>		1,123	1,918
Debt collection costs		(1,003)	(1,006)
Administrative expenses		(50)	(117)
		—	—
<i>Profit on ordinary activities before taxation</i>	2	70	795
Taxation on profit on ordinary activities	3	-	-
		—	—
<i>Profit retained for the period</i>	8	70	795
		=====	=====

All results relate to continuing activities.

The Company has no recognised gains or losses other than those included in the profit above and therefore no separate statement of recognised gains and losses has been prepared.

The notes on pages 8 to 11 form part of these financial statements.

Downland Debt Recovery Limited

Balance sheet

26 February 2000

	Notes	26.2.2000 £000	30.1.1999 £000
Fixed Assets			
Tangible assets	4	120	162
		<hr/>	<hr/>
Current assets			
Stock of debts	1 (c)	5,072	4,997
Prepayments		77	464
Cash at bank and in hand		135	83
		<hr/>	<hr/>
		5,284	5,544
Creditors: amounts falling due within one year			
Current account with parent company		2,025	2,366
Accruals		34	65
		<hr/>	<hr/>
		2,059	2,431
		<hr/>	<hr/>
Net current assets		3,225	3,113
		<hr/>	<hr/>
Total assets less current liabilities		3,345	3,275
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	5	10	10
Profit and loss account	8	3,335	3,265
		<hr/>	<hr/>
Equity Shareholders' funds		3,345	3,275
		<hr/>	<hr/>

The notes on pages 8 to 11 form part of these financial statements.

The financial statements were approved by the Board on 7 July 2000.



I C Percival, Director

Downland Debt Recovery Limited

56 weeks ended 26 February 2000

Note of historical cost profits and losses

There were no unrealised gains or losses, or adjustments for revalued assets during the financial period.

	26.2.2000 £000	30.1.1999 £000
<i>Reconciliation of movements in shareholders' funds</i>		
Profit for the financial period	70	795
Increase in shareholders' funds	<u>70</u>	<u>795</u>
Shareholders' funds at 31 January 1999	3,275	2,480
Shareholders' funds at 26 February 2000	<u><u>3,345</u></u>	<u><u>3,275</u></u>

Downland Debt Recovery Limited

Notes on the financial statements

1. *Accounting policies*

(a) *Accounting convention*

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

(b) *Turnover*

Turnover is the amount received from the realisation of debts purchased and court fees recovered.

(c) *Stock of debts*

Stock of debts is valued at the lower of invoiced cost and net realisable value.

(d) *Fixed assets*

Fixed assets are fully depreciated on a straight line basis over their estimated useful lives, varying between 3 and 10 years.

(e) **Deferred Taxation**

Deferred taxation in respect of capital allowances in excess of depreciation and other timing differences is accounted for to the extent that a liability is expected to crystallise in the foreseeable future or an asset is expected to be recoverable without replacement by equivalent balances.

2. *Profit on ordinary activities before taxation*

The profit on ordinary activities before taxation relates wholly to continuing businesses.

	26.2.2000	30.1.1999
	£000	£000
The profit on ordinary activities before taxation is arrived at after charging:		
Depreciation	42	29
Audit fee	5	5

Employees

All employees are employees of Freemans PLC and details of their remuneration and pension arrangements are disclosed in the report of that Company.

Downland Debt Recovery Limited

Notes on the financial statements (continued)

Directors' emoluments

The directors are directors of Freemans PLC and are remunerated as such. The directors receive no payments in respect of services provided as directors of the Company.

3. *Taxation on profit on ordinary activities*

The taxation charge based on profit for the year is made up as follows:

	26.2.2000 £000	30.1.1999 £000
Corporation tax - current	-	6
UK deferred tax - current	-	(6)
	<u>-</u>	<u>-</u>

The UK corporation tax charge is based on profits for the year, at the rate of 30.15% (1999: 31.0%). No tax charge has been provided in respect of current year profits as any charge will be offset by Group relief within the Freemans Group without charge to the Company.

4. *Tangible assets*

	Plant & Machinery £000s
<i>Cost</i>	
At 31 January 1999 and at 26 February 2000	197
<i>Depreciation</i>	
At 31 January 1999	35
Charge for the period	42
At 26 February 2000	<u>77</u>
<i>Net book value</i>	
At 26 February 2000	<u>120</u>
At 31 January 1999	<u>162</u>

Downland Debt Recovery Limited

Notes on the financial statements (continued)

5. Called up share capital

	26.2.2000 £000	30.1.1999 £000
Authorised, allotted and fully paid 10,000 ordinary shares £1 each.	10	10

6. Deferred taxation

Details of the net potential deferred taxation liability and the extent to which this has been accounted for in these accounts are set out below.

	26.2.2000		30.1.1999	
	Potential Liability £000	Accrual Provided £000	Potential Liability £000	Accrual Provided £000
Capital allowances in advance of depreciation	8	-	6	-

7. Cash flow statement

A cash flow statement has been included in the consolidated financial statements of Freemans PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (revised 1996).

8. Profit and loss account

	26.2.2000 £000	30.1.1999 £000
Balance at 30 January 1999	3,265	2,470
Profit for the financial year	70	795
	<hr/>	<hr/>
Balance at 26 February 2000	3,335	3,265
	<hr/>	<hr/>

Downland Debt Recovery Limited

Notes on the financial statements (continued)

9. *Ultimate parent undertaking*

The directors regard the ultimate holding company as being Otto Versand (GmbH & Co), a company incorporated in Germany. The immediate parent company is Freemans PLC which is registered in England.

Freemans PLC prepares Group accounts which include Downland Debt Recovery Limited as a member. Otto Versand (GmbH & Co) is the only other parent undertaking for which Group accounts are prepared and of which the Company is a member. The Otto Versand (GmbH & Co) annual report is available from Otto Versand (GmbH & Co), Wandsbeker Str 3-7, 22172 Hamburg, Germany.

Exemption has been taken under Financial Reporting Standard No. 8 from the requirement to disclose transactions with other Otto Group Companies.