

First Retail Finance Limited

Report and Financial Statements

31 January 2008

Registered No 2862551

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Financial statements

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Registered in England & Wales

Hepworth House
Claypit Lane
Leeds
LS2 8AE

Directors' report & business review

The directors present their report and financial statements for the year ended 31 January 2008

Results and dividends

The profit for the year, after taxation, amounted to £283,000 (2007 £315,000) A dividend of £350,000 (2007 £1,200,000) was paid during the year A dividend of £200,000 is proposed to be paid in the year to 31 January 2009

Principal activities and review of the business

First Retail Finance Limited, a company registered in England & Wales, is a 100% owned subsidiary of Club 24 Limited The Company's principal activity continues to be the provision of finance and associated services

Directors

The directors who served the Company during the period were as follows

D W Keens
S A Wolfson

No director had any interest in the share capital of the Company or of any subsidiary company of Next plc The directors are also directors of Next plc, and their own and their families' interests in the ordinary shares of Next plc are shown in that accounts of that company

Statement as to disclosure of information to auditors

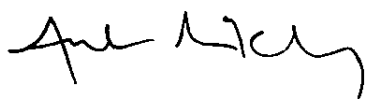
In accordance with the provisions of section 234ZA of the Companies Act 1985, each of the persons who is a director at the date of approval of this report confirms that,

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information to establish that the Company's auditors are aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board



A J R McKinlay
Secretary
20 October 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union

The directors are required to prepare financial statements for each financial year which present fairly the position, financial performance and cash flows of the Company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance,
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its 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 enable them to ensure that the financial statements 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

Independent auditors' report to the members of First Retail Finance Limited

We have audited the financial statements of First Retail Finance Limited for the year ended 31 January 2008 which comprise the Income statement, Statement of recognised income and expense, Balance sheet, Cash flow statement, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

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 whether the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 January 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
Leeds

23 October 2008.

Income statement
for the year ended 31 January 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
Revenue	2	540	796
Net operating expenses		(243)	(412)
Operating profit	3	297	384
Finance income	5	108	66
Profit before taxation		405	450
Taxation	6	(122)	(135)
Profit for the year	11	283	315

The results for the year comprise entirely of continuing operations

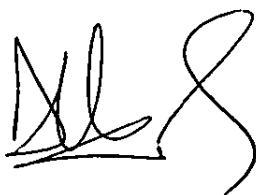
Statement of recognised income and expense
for the year ended 31 January 2008

There was no recognised income or expense other than the profit of £283,000 attributable to the shareholders for the year ended 31 January 2008 (2007 £315,000)

Balance sheet

at 31 January 2008

	Notes	2008 £000	2007 £000
ASSETS AND LIABILITIES			
Non-current assets			
Trade and other receivables	7	509	785
Deferred tax	6	6	8
		<u>515</u>	<u>793</u>
Current assets			
Trade and other receivables	7	3,807	3,633
Cash and short term deposits	8	7	6
		<u>3,814</u>	<u>3,639</u>
Total assets		<u>4,329</u>	<u>4,432</u>
Current liabilities			
Trade and other payables	9	(1,188)	(1,202)
Current income tax liability	6	(120)	(142)
		<u>(1,308)</u>	<u>(1,344)</u>
Total liabilities		<u>(1,308)</u>	<u>(1,344)</u>
Net assets		<u>3,021</u>	<u>3,088</u>
EQUITY			
Share capital	10	2,721	2,721
Retained earnings	11	300	367
Total equity		<u>3,021</u>	<u>3,088</u>



D W Keens
20 October 2008

Director

Cash flow statement

for the year ended 31 January 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
<i>Cash flows from operating activities</i>			
Operating profit		297	384
Decrease in trade and other receivables		102	777
(Decrease)/increase in trade and other payables		(14)	65
Cash generated from operations		385	1,226
Corporation taxes paid		(142)	(215)
Net cash from operating activities		243	1,011
<i>Cash flows from financing activities</i>			
Interest received		108	66
Dividends paid		(350)	(1,200)
Net cash from financing activities		(242)	(1,134)
Net increase/(decrease) in cash and cash equivalents		1	(123)
Opening cash and cash equivalents		6	129
Closing cash and cash equivalents	13	7	6

Notes to the financial statements

at 31 January 2008

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted for use in the European Union and the Companies Act 1985

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

Financial assets

Financial assets are classified in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

Financial assets at fair value through profit or loss are financial assets held for trading. Derivatives are also categorised as held for trading unless they are designated as hedges. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are carried at amortised cost. Available-for-sale financial assets are carried at fair value and are non-derivatives that are either specifically designated as such or which are not classified in any of the other categories.

Trade and other receivables

Trade receivables are stated at gross book value less any provision for impairment. Where there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate.

Taxation

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the rates of taxation that are expected to apply when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date and is not discounted.

Taxation is charged or credited directly to equity if it relates to items that are credited or charged to equity, otherwise it is recognised in the income statement.

Cash and cash equivalents

Cash and short-term deposits comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits, less bank overdrafts which are repayable on demand.

Notes to the financial statements

at 31 January 2008

1. Accounting policies (continued)

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for finance and other associated charges on credit facilities provided to customers outside of the Company, stated net of value added tax

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate

New accounting standards

The Company has adopted the disclosure requirements of IFRS 7 *Financial instruments Disclosures* and the related amendment to IAS 1 *Presentation of Financial Statements Capital Disclosures* in the current year. Full comparative figures are presented. The adoption of these standards has not led to any changes in the Company's accounting policies.

2. Revenue

	2008 £000	2007 £000
Finance and associated charges	540	796
	<u>540</u>	<u>796</u>

3. Operating profit before interest

This is stated after charging

	2008 £000	2007 £000
Auditors' remuneration		
Audit services	8	8
Impairment of trade receivables	25	52

4. Directors' emoluments

None of the directors received any remuneration from the Company for the year ended 31 January 2008 (2007: £nil). All of the Directors were also directors of the ultimate parent company, Next plc, and their emoluments for services to the group are disclosed in the report and accounts of that company.

5. Finance income

	2008 £000	2007 £000
Interest from group undertakings	<u>108</u>	<u>66</u>

Notes to the financial statements

at 31 January 2008

6. Taxation

	2008 £000	2007 £000
<i>Current tax</i>		
UK corporation tax on profits of the year	120	142
Total current tax	<u>120</u>	<u>142</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	2	(7)
Tax expense reported in the income statement	<u>122</u>	<u>135</u>

The tax rate for both the current and prior year was the standard rate of corporation tax in the UK of 30%

Deferred taxation

	2008 £000	2007 £000
Accelerated capital allowances	-	1
Other temporary differences	6	7
	<u>6</u>	<u>8</u>

The movement in the year is as follows

At January 2007	8	1
Charged to the income statement		
Accelerated capital allowances	(1)	-
Other temporary differences	(1)	7
At January 2008	<u>6</u>	<u>8</u>

7. Trade and other receivables

	2008 £000	2007 £000
<i>Due within one year</i>		
Finance debtors	1,900	2,417
Less provision for doubtful debts	(733)	(768)
	<u>1,167</u>	<u>1,649</u>
Amount owed by immediate parent company	2,640	1,984
	<u>3,807</u>	<u>3,633</u>
<i>Due after more than one year</i>		
Finance debtors	828	1,151
Less provision for doubtful debts	(319)	(366)
Finance debtors	<u>509</u>	<u>785</u>

Notes to the financial statements

at 31 January 2008

7. Trade and other receivables (continued)

Finance debtors bear interest at an average rate of 27.40% (2007: 27.75%). The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to the historical default rate for the preceding 365 days of 3.0% (2007: 3.9%). Expected irrecoverable amounts on balances between 30 and 120 days overdue are provided for based on past default experience. Customer receivables which are more than 120 days overdue are considered to be impaired and are provided for in full.

The other classes within trade and other receivables do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above. The Company does not hold any collateral over these balances.

Amounts owed by the immediate parent company bear interest at UK base rate less 1%. The amount owed by the immediate parent company is an unsecured current account with no formal terms and conditions.

Ageing of finance debtors

	2008 £000	2007 £000
Current	2,201	2,891
0 – 30 days past due	32	42
30 – 60 days past due	14	15
60 – 90 days past due	7	23
90 – 120 days past due	12	12
Over 120 days past due	462	585
	<u>2,728</u>	<u>3,568</u>
Analysed as		
Due within one year	1,900	2,417
Due after more than one year	828	1,151
	<u>2,728</u>	<u>3,568</u>

Movement in the allowance for doubtful debts

	2008 £000	2007 £000
Opening position	1,134	1,269
Amounts charged to the income statement	25	52
Amounts written off as uncollectible	(107)	(187)
Amounts recovered during the year	-	-
Closing position	<u>1,052</u>	<u>1,134</u>

Notes to the financial statements

at 31 January 2008

8. Cash and short-term deposits

	2008 £000	2007 £000
Cash at bank and in hand	<u>7</u>	<u>6</u>
Cash at bank does not attract credit interest		

9. Trade and other payables

	2008 £000	2007 £000
Trade payables	32	14
Other creditors and accruals	<u>1,156</u>	<u>1,188</u>
	<u>1,188</u>	<u>1,202</u>

Trade payables are not interest-bearing and are generally settled on 7 day terms Other creditors and accruals are not interest-bearing

10. Share capital

	2008 £000	Authorised 2007 £000
"A" Ordinary shares of £1 each	5,000	5,000
"B" Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
	<u>10,000</u>	<u>10,000</u>

	No '000	Allotted, called up and fully paid 2008 £000	No '000	2007 £000
"A" Ordinary shares of £1 each	1,360	1,360	1,360	1,360
"B" Ordinary shares of £1 each	<u>1,361</u>	<u>1,361</u>	<u>1,361</u>	<u>1,361</u>
	<u>2,721</u>	<u>2,721</u>	<u>2,721</u>	<u>2,721</u>

There are no differences in rights attached to each class of share in relation to the distribution of dividends, voting rights and any distribution of capital which may result from winding up of the Company

Notes to the financial statements

at 31 January 2008

11. Reconciliation of movements in equity

	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total £000</i>
At January 2006	2,721	1,252	3,973
Total recognised income and expense for the year	-	315	315
Equity dividends paid	-	(1,200)	(1,200)
At January 2007	2,721	367	3,088
Total recognised income and expense for the year	-	283	283
Equity dividends paid	-	(350)	(350)
At January 2008	2,721	300	3,021

The dividend per share amounts to 13p (2007 44p)

12. Financial instruments

Next operates a centralised treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities, including the Company. Treasury policy is reviewed and approved by the Next plc Board and specifies the parameters within which treasury operations must be conducted, including authorised counterparties, instrument types and transaction limits, and principles governing the management of liquidity, interest and foreign currency risks.

The Company's principal financial instruments are cash, finance debtors and other financial liabilities such as trade payables arising directly from its operations. The fair values of each category of the Company's financial instruments are the same as their carrying value in the Company's balance sheet.

Liquidity risk

The Company's cash and borrowing requirements are managed centrally by the Next Group treasury function to minimise net interest expense within risk parameters agreed by the Next plc Board, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its business.

The undiscounted remaining contractual cash flows of the Company's financial liabilities at 31 January 2008 and 31 January 2007 all mature within one year of the balance sheet date.

Foreign currency risk

The Company has no foreign currency denominated financial assets or liabilities and is not exposed to significant foreign currency risk or party to any related derivative instruments.

Interest rate risk

Cash at bank and amounts due from the immediate parent company are interest bearing, but do not result in a significant interest rate risk exposure for the Company.

Credit risk

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

The Company's outstanding receivables balances are detailed in Note 7.

Capital risk

The capital structure of the Group consists of equity attributable to the equity holders of the parent company, comprising issued capital, reserves and retained earnings as shown in Note 11. The Company manages its capital with the objective of continuing as a going concern while maintaining an efficient structure to minimise the cost of capital. The Company is not subject to any externally imposed capital requirements.

Notes to the financial statements

at 31 January 2008

12. Financial instruments (continued)

Analysis of financial instrument categories

	2008 £000	2007 £000
Financial assets		
Loans and receivables	4,316	4,418
Cash and short term deposits	7	6
Financial liabilities		
Amortised cost	(1,188)	(1,202)

13. Analysis of net funds

	January 2007 £000	Cash flow £000	January 2008 £000
Cash and short-term deposits	6	1	7
Total net funds	<u>6</u>	<u>1</u>	<u>7</u>

	January 2006 £000	Cash flow £000	January 2007 £000
Cash and short-term deposits	129	(123)	6
Total net funds	<u>129</u>	<u>(123)</u>	<u>6</u>

14. Related party transactions

During the year the Company entered into transactions in the ordinary course of business with related parties as follows

	2008 £000	2007 £000
Transactions with immediate parent company		
Services rendered	140	259
Costs recharged	61	65
Funds deposited	1,099	1,728
Dividends paid	350	1,200
Net interest received	108	66

There were no transactions with any other group companies

15. Ultimate parent Company and controlling party

The Company's ultimate parent company and controlling party is Next plc, a company registered in England & Wales. Next plc is the only group preparing accounts which include First Retail Finance Limited. Copies of its group accounts are available from its Company Secretary at its registered office, Desford Road, Enderby, Leicester, LE19 4AT.