

First Retail Finance Limited

Report and Financial Statements

31 January 2011

Registered No 2862551

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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 2011

Results and dividends

The profit for the year, after taxation, amounted to £219,000 (2010 £219,000) A dividend of £250,000 (2010 £200,000) was paid during the year

Principal activities and review of the business

The Company's principal activity continues to be the provision of finance and associated services The Company has continued to manage the orderly collection of its outstanding debtor books and the directors consider that the results for the year are satisfactory

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

Going concern

The Company participates in the Next group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiary companies

The directors, having assessed the responses of the directors of the Company's parent, Next plc, to their enquiries have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Next group to continue as a going concern or its ability to continue with the current banking arrangements On the basis of these enquiries, and their assessment of the Company's financial position the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future For this reason, they have continued to adopt the going concern basis in preparing the financial statements

Auditors

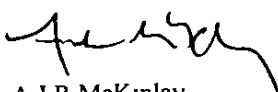
A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

Statement as to disclosure of information to auditors

In accordance with the provisions of section 418 of the Companies Act 2006, 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

By order of the board



A J R McKinlay
Secretary
23 June 2011

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 2006. 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 31st January 2011 which comprise the Income statement, Statement of comprehensive income, Balance sheet, Statement of changes in equity, Cash flow statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31st January 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Alastair John Richard Nuttall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
24 June 2011

Income statement

for the year ended 31 January 2011

	<i>Notes</i>	<i>2011 £000</i>	<i>2010 £000</i>
Revenue	2	279	341
Net operating expenses		25	(69)
Operating profit	3	304	272
Finance income	5	-	32
Profit before taxation		304	304
Taxation	6	(85)	(85)
Profit for the year		219	219

The results for the year comprise entirely of continuing operations

Statement of comprehensive income

for the year ended 31 January 2011

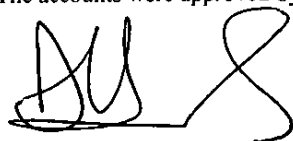
There was no other comprehensive income for the year other than the profit of £219,000 (2010 £219,000)

Balance sheet

at 31 January 2011

	Notes	2011 £000	2010 £000
ASSETS AND LIABILITIES			
Non-current assets			
Trade and other receivables	7	121	152
		<u>121</u>	<u>152</u>
Current assets			
Trade and other receivables	7	3,602	3,806
Cash and short term deposits	8	101	24
		<u>3,703</u>	<u>3,830</u>
Total assets		<u>3,824</u>	<u>3,982</u>
Current liabilities			
Trade and other payables	9	(947)	(1,074)
Current income tax liability	6	(85)	(85)
		<u>(1,032)</u>	<u>(1,159)</u>
Total liabilities		<u>(1,032)</u>	<u>(1,159)</u>
Net assets		<u>2,792</u>	<u>2,823</u>
EQUITY			
Share capital	10	2,721	2,721
Retained earnings		71	102
Total equity		<u>2,792</u>	<u>2,823</u>

The accounts were approved by the board on 23 June 2011 and signed on its behalf by



D W Keens
23 June 2011

Director

Statement of changes in equity
at 31 January 2011

	<i>Share capital £000</i>	<i>Retained earnings £000</i>	<i>Total £000</i>
At January 2009	2,721	83	2,804
Total comprehensive income for the year	-	219	219
Equity dividends paid	-	(200)	(200)
	<hr/>	<hr/>	<hr/>
At January 2010	2,721	102	2,823
Total comprehensive income for the year	-	219	219
Equity dividends paid	-	(250)	(250)
	<hr/>	<hr/>	<hr/>
At January 2011	<u>2,721</u>	<u>71</u>	<u>2,792</u>

The dividend per share amounts to 9p (2010 7p)

Cash flow statement

for the year ended 31 January 2011

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<i>Cash flows from operating activities</i>			
Operating profit		304	272
Decrease in trade and other receivables		235	119
Decrease in trade and other payables		(127)	(101)
Cash generated from operations		412	290
Corporation taxes paid		(85)	(106)
Net cash from operating activities		327	184
<i>Cash flows from financing activities</i>			
Interest received		-	32
Dividends paid		(250)	(200)
Net cash from financing activities		(250)	(168)
Net increase in cash and cash equivalents		77	16
Opening cash and cash equivalents		24	8
Closing cash and cash equivalents	12	101	24

Notes to the financial statements

at 31 January 2011

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 2006

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.

The company has financial assets categorised as loans and receivables.

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

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. 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.

Notes to the financial statements

at 31 January 2011

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

Impact of changes to accounting standards

Changes adopted in the current year

IFRS 3 (Revised) *Business Combinations* applies to any acquisitions which are made during or after the Company's financial year ending January 2011. Acquisitions made prior to that date are not affected. The Company has not yet made any acquisitions which are affected by the revised accounting standard

Other changes in accounting standards future years

Various amendments have arisen from the Improvements to International Financial Reporting Standards (2010) and other new standards or amendments in the year, none of which are expected to have a significant impact on the Company's reported profits or equity

2. Revenue

	2011 £000	2010 £000
Finance and associated charges	<u>279</u>	<u>341</u>

3. Operating profit

This is stated after charging	2011 £000	2010 £000
Auditors' remuneration		
Audit services	5	5
Trade receivables		
Impairment charge	41	72
Amounts recovered	(122)	(190)

4. Directors' emoluments

None of the directors received any remuneration from the Company for the year ended 31 January 2011 (2010 £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

The directors believe that it is not practicable to apportion their remuneration between qualifying services for this company and other group companies in which they hold office

5. Finance income

	2011 £000	2010 £000
Interest from group undertakings	<u>-</u>	<u>32</u>

Notes to the financial statements

at 31 January 2011

6. Taxation

	2011 £000	2010 £000
<i>Current tax</i>		
UK corporation tax on profits of the year	85	85
Tax expense reported in the income statement	<u>85</u>	<u>85</u>

The tax rate for the current year was the standard rate of corporation tax in the UK of 28% (2010 28%)

No deferred taxation was provided in the current or previous years as there are no differences between the balance sheet and the tax bases of the Company's assets and liabilities

7. Trade and other receivables

	2011 £000	2010 £000
<i>Due within one year</i>		
Finance debtors	2,083	2,287
Less provision for doubtful debts	(1,502)	(1,566)
	<u>581</u>	<u>721</u>
Amount owed by immediate parent company	3,021	3,085
	<u>3,602</u>	<u>3,806</u>
<i>Due after more than one year</i>		
Finance debtors	436	484
Less provision for doubtful debts	(315)	(332)
Finance debtors	<u>121</u>	<u>152</u>

Finance debtors bear interest at an average rate of 33.83% (2010 31.94%). 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 3.23% (2010 7.0%). 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.

Notes to the financial statements

at 31 January 2011

7. Trade and other receivables (continued)

Ageing of finance debtors

	2011 £000	2010 £000
Current	732	913
0 – 30 days past due	13	20
30 – 60 days past due	8	10
60 – 90 days past due	5	7
90 – 120 days past due	4	6
Over 120 days past due	1,757	1,815
	<u>2,519</u>	<u>2,771</u>

Analysed as

Due within one year	2,083	2,287
Due after more than one year	436	484
	<u>2,519</u>	<u>2,771</u>

Movement in the allowance for doubtful debts

	2011 £000	2010 £000
Opening position	1,898	945
Amounts charged to the income statement	41	72
Amounts written off as uncollectible	-	(34)
Amounts recovered	(122)	(190)
Other (debt sale)	-	1,105
Closing position	<u>1,817</u>	<u>1,898</u>

8. Cash and short term deposits

	2011 £000	2010 £000
Cash at bank and in hand	<u>101</u>	<u>24</u>

Cash at bank does not attract credit interest

9. Trade and other payables

	2011 £000	2010 £000
Trade payables	43	13
Other creditors and accruals	904	1,061
	<u>947</u>	<u>1,074</u>

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

Notes to the financial statements

at 31 January 2011

10. Share capital

	<i>Authorised</i>	
	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
"A" Ordinary shares of £1 each	5,000	5,000
"B" Ordinary shares of £1 each	5,000	5,000
	<u>10,000</u>	<u>10,000</u>

	<i>Allotted, called up and fully paid</i>			
	<i>No</i>	<i>2011</i>	<i>No</i>	<i>2010</i>
	<i>'000</i>	<i>£000</i>	<i>'000</i>	<i>£000</i>
"A" Ordinary shares of £1 each	1,360	1,360	1,360	1,360
"B" Ordinary shares of £1 each	1,361	1,361	1,361	1,361
	<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

11. 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 2011 and 31 January 2010 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.

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.

Notes to the financial statements

at 31 January 2011

11. Financial instruments (continued)

Capital risk

The capital structure of the Group consists of equity attributable to the equity holders of the parent company, comprising issued capital and retained earnings as shown in the statement of changes in equity. 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.

Analysis of financial instrument categories

	2011 £000	2010 £000
Financial assets		
Loans and receivables	3,723	3,958
Cash and short term deposits	101	24
Financial liabilities		
Amortised cost	(947)	(1,074)

12. Analysis of net funds

	January 2010 £000	Cash flow £000	January 2011 £000
Cash and short term deposits	24	77	101
Total net funds	<u>24</u>	<u>77</u>	<u>101</u>

	January 2009 £000	Cash flow £000	January 2010 £000
Cash and short term deposits	8	16	24
Total net funds	<u>8</u>	<u>16</u>	<u>24</u>

13. Related party transactions

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

	2011 £000	2010 £000
Transactions with other group companies		
Services rendered	(146)	(72)
Costs recharged	(90)	(280)
Funds deposited	421	664
Dividends paid	(250)	(200)
Net interest received	-	32

14. Ultimate parent company and controlling party

The Company's immediate parent is Next Group plc and the 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.