

FOR THE YEAR ENDED 31 DECEMBER 2000

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**COMPANIES HOUSE**

# HOUSEHOLD INVESTMENTS LIMITED

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## HOUSEHOLD INVESTMENTS LIMITED

### Directors' Report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2000.

### Principal activities

The Company's principal activity is the rental of land and buildings to HFC Bank plc.

### Business review

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

### Financial results and dividends

	£
Retained profit at 1 January 2000	3,394,797
Profit for the year	1,053,500
Retained profit at 31 December 2000	<u>4,448,297</u>

The Directors do not recommend the payment of a dividend (1999 Nil).

### Fixed assets

Details of fixed assets are shown in Note 5 to the financial statements.

### Directors and their interests

The Directors of the Company who served during the year were:-

A R Hill  
R V Lovering

None of the Directors had at any time during the year any disclosable interest in the shares or loan stock of the Company or any Group Company incorporated within Great Britain.

### Directors' responsibilities

Company law requires the Directors to ensure that financial statements are prepared 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 year. In those financial statements, the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently;
- judgments and estimates made are reasonable and prudent;
- a statement is given as to whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking all reasonable steps to ensure the assets of the Company are safeguarded and that steps are taken for the prevention and detection of fraud and other irregularities.

In exercising these duties and responsibilities the Directors take account of the advice given to them and obtained by them. The Directors regularly review reports on the systems and controls which are established to give reasonable assurance that the business is being conducted in accordance with the above principles.

### Euro

Virtually all the Group activities are carried out in the United Kingdom, although there is a small branch operation in the Republic of Ireland. The Group has implemented procedures to deal with the Euro and it is not envisaged that the Euro will have any significant systems implications.

### Auditors

The Company having passed in General Meeting an elective resolution in accordance with S.379A Companies Act 1985 to dispense with the obligation to appoint auditors annually as permitted by S.386 Companies Act 1985, Arthur Andersen shall be deemed to be re-appointed as auditors to the Company for the next financial year.

BY ORDER OF THE BOARD

  
C J Rivers  
Secretary  
14 March 2001

North Street,  
Winkfield,  
Windsor,  
Berkshire SL4 4TD

HOUSEHOLD INVESTMENTS LIMITED

**Auditors' Report**

**To the Shareholders of Household Investments Limited.**

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

**Respective responsibilities of Directors and Auditors**

As described on page 2 the Company's Directors are responsible for the preparation of 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 by our profession's ethical guidance.

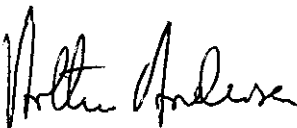
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 affairs of the Company as at 31 December 2000 and of the Company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London WC2R 2PS  
14 March 2001

# HOUSEHOLD INVESTMENTS LIMITED

## Profit and Loss Account

Year ended 31 December	Notes	2000 £	1999 £
Turnover	2	1,680,000	1,680,000
Administrative expenses		(175,000)	(175,000)
Profit on ordinary activities before taxation	3	<u>1,505,000</u>	<u>1,505,000</u>
Taxation on profit on ordinary activities	4	(451,500)	(507,850)
Retained profit for the year		<u>1,053,500</u>	<u>997,150</u>
Retained profit at 1 January		3,394,797	2,397,647
Retained profit at 31 December	10	<u>4,448,297</u>	<u>3,394,797</u>

## Note of historical cost profits and losses

Reported profit on ordinary activities before taxation	1,505,000	1,505,000
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount.	34,433	34,433
Historical cost profit on ordinary activities before taxation	<u>1,539,433</u>	<u>1,539,433</u>
Historical cost profit for the year retained after taxation	<u>1,087,933</u>	<u>1,031,583</u>

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

The notes on pages 6 to 8 form an integral part of these financial statements

# HOUSEHOLD INVESTMENTS LIMITED

## Balance Sheet

At 31 December	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	5	19,690,445	19,865,445
CURRENT ASSETS			
Debtors	6	11,577,900	10,620,847
CURRENT LIABILITIES			
CREDITORS:			
Amounts falling due within one year	7	(310,019)	(560,509)
NET CURRENT ASSETS		<u>11,267,881</u>	<u>10,060,338</u>
Provisions for liabilities and charges	8	(1,061,350)	(1,082,307)
NET ASSETS		<u>29,896,976</u>	<u>28,843,476</u>
CAPITAL AND RESERVES			
Called-up share capital	9	11,156,000	11,156,000
Capital reserve	10	34,882	34,882
Revaluation reserve	10	14,257,797	14,257,797
Profit and loss account	10	4,448,297	3,394,797
TOTAL EQUITY SHAREHOLDERS FUNDS		<u>29,896,976</u>	<u>28,843,476</u>

The financial statements on pages 4 to 8 were approved by the Board of Directors on 14 March 2001 and were signed on its behalf by the Director listed below.



R.V. Lovering - Director

The notes on pages 6 to 8 form an integral part of these financial statements

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

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

**(a) Basis of preparation**

The financial statements have been prepared on the historical cost basis of accounting as modified for the revaluation of fixed assets and in accordance with applicable Accounting Standards and Statements of Recommended Accounting Practice. Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), the Company has not prepared a cash flow statement because its ultimate holding company, Household International, Inc., which is incorporated in the United States of America, has prepared consolidated accounts which include the accounts of the Company for the year end which contain a cash flow statement.

**(b) Taxation**

Corporation tax payable is provided on taxable profits at the current rate of tax.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the financial statements, and is computed using the liability method whereby such taxation is determined by applying the rate of tax likely to be in force at the time of the reversal to those timing differences which, in the opinion of the Directors, are likely to reverse in the foreseeable future.

**(c) Fixed assets**

Fixed assets are stated at cost or market valuation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis from the date of use, over its estimated useful life as follows:-

Land	Not depreciated
Buildings	50 years

**2 Turnover**

	2000 £	1999 £
Turnover comprises the following:-		
Management Income	<u>1,680,000</u>	<u>1,680,000</u>

All turnover arose in the United Kingdom from the Company's principal activity.

**3 Profit on ordinary activities before taxation**

	2000 £	1999 £
Profit on ordinary activities before taxation is stated after charging:-		
Depreciation on tangible fixed assets	<u>175,000</u>	<u>175,000</u>

The auditors' remuneration has been borne by the Holding Company.

The Directors received no emoluments during the year.

During the year the Company had no employees.

Profit before taxation for 2000 and 1999 derives from continuing activities

The Company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose intercompany transactions within the HFC Bank plc Group.

# HOUSEHOLD INVESTMENTS LIMITED

## Notes to the Financial Statements continued

### 4 Taxation

	2000 £	1999 £
The charge for the year comprises:		
U.K. Corporation tax at 30% (1999 30.25%)	472,457	409,451
U.K. Corporation tax prior year	0	56,341
Deferred taxation current year	(20,957)	42,058
Deferred taxation prior year	0	0
	<u>451,500</u>	<u>507,850</u>

### 5 Tangible fixed assets

	Land & Buildings £
COST or VALUATION	
At 1 January and 31 December 2000	<u>21,642,833</u>
DEPRECIATION	
At 1 January 2000	1,777,388
Provided during the year	175,000
At 31 December 2000	<u>1,952,388</u>
NET BOOK VALUE	
At 31 December 2000	<u>19,690,445</u>
At 31 December 1999	<u>19,865,445</u>

Property valuation: During 1999 a revaluation of Winkfield Head Office building was carried out. The valuation of £19.9 million was made on an open market value for existing use basis by GC Rushmore B.Sc., FRICS of DTZ Debenham Thorpe.

This valuation represents an increase in the value of the Winkfield Head Office of £3.6 million from the previous valuation in 1994. Against the £3.6 million gain a deferred tax liability of £1.1 million was made (see note 8) and the net gain of £2.5 million was shown in 1999 as a revaluation reserve movement (see note 10).

Historical cost of property and equipment prior to valuation is £16.7 million and the accumulated depreciation on the historical cost of property is £6.4 million (1999 £6.3 million).

### 6 Debtors

	2000 £	1999 £
Amounts owed from Holding Company	11,577,900	10,820,847
	<u>11,577,900</u>	<u>10,820,847</u>

### 7 Creditors

	2000 £	1999 £
Amounts falling due within one year:		
Corporation tax	310,019	261,894
Amounts owed to Holding Company	0	298,615
	<u>310,019</u>	<u>560,509</u>



**Notes to the Financial Statements continued****8 Provision for liabilities and charges**

	2000 £	1999 £
Deferred taxation (liability)/assets		
Arising on fixed assets:		
At 1 January	(1,082,307)	41,626
Charge for the current and prior year	20,957	(42,058)
Deferred tax on revaluation of property	-	(1,081,875)
At 31 December	<u>(1,061,350)</u>	<u>(1,082,307)</u>

The provision for UK deferred taxation relating to capital allowances has been made at 30 % being the rate of corporation tax at which the timing differences are expected to crystallise.

**9 Share capital**

	2000 £	1999 £
Authorised:		
34,990,000 Ordinary Shares of £1 each	34,990,000	34,990,000
10,000 Preference Shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued, allotted and fully paid:		
11,156,000 Ordinary Shares of £1 each	<u>11,156,000</u>	<u>11,156,000</u>

**10 Reserves**

	Profit and loss account £	Capital reserve £	Revaluation reserve £
Balance as at 1 January	3,394,797	34,882	14,257,797
Profit for the year	1,053,500	-	-
Balance as at 31 December	<u>4,448,297</u>	<u>34,882</u>	<u>14,257,797</u>

**Reconciliation of shareholders' funds**

	2000 £	1999 £
Profit for year	1,053,500	997,150
Movement in revaluation reserve	-	2,524,375
Net increase to shareholders' funds	<u>1,053,500</u>	<u>3,521,525</u>
Opening shareholders' funds	28,843,476	25,321,951
Closing shareholders' funds	<u>29,896,976</u>	<u>28,843,476</u>

**11 Holding company**

The Company's immediate holding company is HFC Bank plc. The ultimate holding company and the largest group in which HFC Bank plc and its subsidiary companies are consolidated is Household International, Inc. which is incorporated in the State of Delaware, United States of America. The smallest group in which they are consolidated is that headed by HFC Bank plc which is registered in England and operates in the United Kingdom. The consolidated accounts of these groups are available at North Street, Winkfield, Windsor, Berkshire, SL4 4TD.

Household Investments Limited is registered in England and operates in the United Kingdom.