

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

ACCOUNTS

1995/96

Registered Number 11076



SAXONE LIMITED

(formerly British Shoe Corporation Limited)

REPORT OF THE DIRECTORS

Directors

L G STRONG

Chairman

R J COTTERELL

Managing Director

J R ALLEN

V COOPER

J D F DRUM

P M ELLIS

R G GROOM

C A ONSLOW

M A PACK

J WHEELER

Secretaries

A E KAPPES

D QUINLAN

V COOPER

Registered Office

SUNNINGDALE ROAD, LEICESTER LE3 1UR

Principal Activity

The company's principal activity during the year was the retailing of footwear in the United Kingdom and Eire. The company sold its business on 1st February 1996 and has ceased to trade.

The directors present their Annual Report together with the audited accounts of the company for the 53 weeks ended 3rd February 1996.

Change of Name

On 5th February 1996 the company changed its name to Saxone Limited.

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

REPORT OF THE DIRECTORS (Continued)

Review of Business

The company experienced a reduction in turnover of 3.7%. The downturn was mainly a reflection of transitional strains imposed by a year of change during which the company engaged in a programme of rationalisation. This has involved opening 110 new branches, converting 116 to new trading formats, the closure of 125 branches, and the disposal of 379 in connection with the sale of our Freeman Hardy Willis, Manfield and Trueform businesses on 26th August 1995, and the later sale of Saxone and Curtess on 3rd February 1996 to subsidiaries of and companies associated with Facia Limited. These sales were intended to eliminate the group's exposure to further trading losses and comprised the trade marks of the businesses together with branch fixtures and stocks. The group also agreed to provide support services until August 1996. The Retail Corporation plc (the immediate parent undertaking) also entered into a put option agreement which on exercise would have passed most of the trading properties to Facia along with the sale of Saxone Limited. In the short-term, Facia occupied them under licence. During the latter part of May 1996, Sears plc (the ultimate parent undertaking) became concerned about the ability of Facia to secure adequate re-financing to enable it to discharge its outstanding debts. The Retail Corporation plc decided not to exercise its put option. The group took the necessary steps to enable it to petition for Administration of the relevant Facia companies on 31st May 1996 in the event that Facia failed to settle all amounts then owing. No such settlement was received and, consequently, the group petitioned for Administration. Details of the disposal provisions can be found in note 5 to the accounts on page 14.

On 1st February 1996 the company sold its business and assets, as defined in an agreement dated 1st February 1996, to Sears Sportsworld Limited for a consideration of £423,368,000 resulting in a profit of £136,944,000. All other assets and liabilities were sold to or purchased by Sears Sportsworld Limited at their net book values. Sears Sportsworld Limited changed its name to British Shoe Corporation Limited on 5th February 1996.

As the company has ceased to trade all results are included in discontinued activities. The 1994/95 figures have been restated to reflect the results as discontinued activities.

The full results for the year and transfers to reserves are shown in the Profit and Loss Account on page 10.

Dividends totalling £717,620,000 (1994/5 Nil) were paid during the year.

Fixed Tangible Assets

Changes to the fixed tangible assets of the company during the year are set out in note 11 to the accounts.

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

REPORT OF THE DIRECTORS (Continued)

Directors

The current directors of the company are shown above.

Mr I N Thomson resigned as managing director of the company on 4th December 1995 and Mrs R J Cotterell was appointed in his stead.

Mr J R Allen and Mr M B France were appointed directors of the company on 18th July 1995.

Mr C A Onslow was appointed a director of the company on 27th December 1995.

Miss V Cooper was appointed a director of the company on 2nd April 1996.

Mr R G Groom and Mr J D F Drum were appointed directors of the company on 8th May 1996.

Mr S P Smith resigned from the company on 31st March 1995.

Mrs M T Townsley resigned as a director of the company on 31st December 1995.

Mr D E Rist resigned from the company on 5th February 1996.

Mr R W W Brown resigned from the company on 30th April 1996.

Mr M B France resigned from the company on 12th August 1996.

During the year, liability insurance was maintained for the company's directors and officers.

At no time during the year did any director of the company have an interest in a contract, entered into by a group company, which was of significance in relation to the group's business.

Mr L G Strong is a director of Sears plc the ultimate parent company, and his interests in the group of which the company is a member are shown in the Annual Report of that company. The interests of the other directors in ordinary shares of Sears plc are shown below.

Ordinary Shares

	3rd February 1996	1st February 1995
J R Allen	-	* -
R W W Brown	10,077	5,170
R J Cotterell	-	* -
P M Ellis	-	-
M B France	-	* -
C A Onslow	-	* -
M A Pack	500	500
D E Rist	1,000	1,000
J Wheeler	3,000	-

* at date of appointment.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****REPORT OF THE DIRECTORS (Continued)****Ordinary Shares under Option**

	1st February 1995	Granted in the period	See Notes	Exercised in the period	3rd February 1996	Exercise Price (Pence)	Exercise Period
J R Allen *	Nil				Nil		
R W W Brown	3,036	-	b	-	3,036	83	12/94 - 6/95
	2,976	-	b	2,976	-	63	
	35,000	-	a	-	35,000	126	7/89 - 7/96
	20,000	-	a	-	20,000	119.4	7/91 - 7/98
	40,000	-	a	-	40,000	94	7/93 - 7/2000
	20,000	-	a	20,000	-	78	
	10,000	-	b	-	10,000	75	12/96 - 6/97
	5,846	-	b	-	5,846	62	12/97 - 6/98
	3,450	-	b	-	3,450	90	12/98 - 6/99
	-	50,000	a	-	50,000	106	4/98 - 4/2005
	-	4,216	b	-	4,216	90	10/2000 - 4/2001
R J Cotterell *	217,000	-	a	-	217,000	102	2/97 - 2/2004
	99,100	-	a	-	99,100	106	4/98 - 4/2005
P M Ellis	50,000	-	a	-	50,000	119.4	7/91 - 7/98
	50,000	-	a	50,000	-	94	
	50,000	-	a	50,000	-	78	
	17,540	-	b	-	17,540	62	12/97 - 6/98
	3,833	-	b	-	3,833	90	12/98 - 6/99
	-	69,800	a	-	69,800	106	4/98 - 4/2005
	-	3,833	b	-	3,833	90	10/2000 - 4/2001
M B France	Nil				Nil		
C A Onslow *	52,800	-	a	-	52,800	106	4/98 - 4/2005
	13,800	-	a	-	13,800	102	7/98 - 7/2005
M A Pack	150,000	-	a	110,000	40,000	78	7/95 - 7/2002
	15,333	-	b	-	15,333	90	12/98 - 6/99
	4,156	-	b	-	4,156	83	12/99 - 6/2000
	-	67,000	a	-	67,000	106	4/98 - 4/2005

SAXONE LIMITED

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REPORT OF THE DIRECTORS (Continued)

	1st February 1995	Granted in the period	See Notes	Exercised in the period	3rd February 1996	Exercise Price (Pence)	Exercise Period
D E Rist	180,000	-	a	-	180,000	103	2/96 - 2/2003
	19,166	-	b	-	19,166	90	12/98 - 6/99
	-	68,900	a	-	68,900	106	4/98 - 4/2005
J Wheeler	25,000	-	a	-	25,000	126	7/89 - 7/96
	20,000	-	a	-	20,000	119.4	7/91 - 7/98
	100,000	-	a	100,000	-	78	
	-	71,700	a	-	71,700	106	4/98 - 4/2005

- a) Executive Share Options. The option price of executive options is based on the average share price for the three trading days prior to the date of grant.
- b) Savings Related Options. The option price is based on the average share price for the three trading days prior to the grant and discounted by up to 20%.

* At date of appointment.

Company Secretary

Miss A E Kappes was appointed joint secretary of the company on 8th May 1996.

Mrs D Quinlan was appointed joint secretary of the company on 10th May 1996.

Mr M J Winch-Furness resigned as company secretary on 30th June 1996 and Miss V Cooper was appointed in his stead.

Employment Policy

During the year the company maintained, as far as is practicable, close consultation with employees or their representatives on matters likely to affect their interests. By means of meetings and staff publications, the company endeavoured to keep employees informed about the progress of their company and the group of which it is a member. All eligible employees were invited to participate in the Savings Related Share Option Scheme introduced in 1982 by Sears plc, the group holding company.

SAXONE LIMITED

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REPORT OF THE DIRECTORS (Continued)


During the year it was the policy of the company to ensure that the talents and resources of employees were utilised to the full and that no job applicant or employee received less favourable treatment on the grounds of gender, marital status, social class, colour, race, ethnic origin, creed or disability or was disadvantaged by conditions or requirements that could not be shown to be justifiable.

During the year close attention was always given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work legislation.

Payment of Creditors

During the year it was the company's policy to pay its creditors as and when they fell due.

By Order of the Board



V COOPER
Secretary

Sunningdale Road, Leicester LE3 1UR
30th August 1996

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

ACCOUNTING POLICIES

Basis of accounts

The accounts are prepared in accordance with applicable accounting standards, under the historical cost convention as modified by the revaluation of certain properties, and deal with the 53 week period ended on 3rd February 1996.

Cash flow statement

The company has taken advantage of the exemption provided in FRS 1 and has not produced a Cash Flow Statement. The company is a wholly owned subsidiary of Sears plc whose financial statements include a consolidated Cash Flow Statement dealing with the cash flows of the group.

Foreign currencies

Trading results of overseas operations are expressed in sterling at average rates of exchange ruling during the financial year. Assets and liabilities denominated in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet date.

Unrealised exchange differences arising on the translation into sterling of net assets of overseas divisions, are recorded as a movement on reserves.

Exchange differences arising in the normal course of trade are included within the profit and loss account.

Turnover

Turnover represents sales to external customers, excluding value added tax.

Leases

Assets held under finance leases that give rights approximating to ownership are treated as if they have been purchased. Depreciation is provided over the term of the lease. The related lease obligations are recorded at the fair value of the leased assets at inception of the leases. The amounts by which the lease payments exceed the recorded obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance.

Rentals receivable and payable under operating leases are taken to the profit and loss account as they arise. Rent free periods as inducements to enter into operating lease agreements are released to profit over the period to the next rent review.

SAXONE LIMITED

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ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Tangible Assets

The majority of the company's properties are valued at regular intervals and are incorporated in the balance sheet at valuation, less depreciation, if appropriate. Properties held on leases with less than 25 years to run are stated at cost less depreciation or, if previously revalued, at their most recent valuation less depreciation. Property additions since valuation and all other fixed tangible assets are stated at cost, less depreciation if appropriate. Interest on borrowings to finance major building construction work undertaken by the company is capitalised, net of taxation, as part of those assets.

All fixed tangible assets are depreciated at the following annual rates:

Retail, office and investment properties

It is the company's policy continually to maintain its properties in a state of good repair. In the case of freeholds and long leaseholds it is considered that the residual values and lives of these properties are such that their amortisation would not be significant. Therefore, no amortisation is provided on freehold or long leasehold properties. The book amounts of short leasehold properties are amortised by equal instalments over the remaining length of the leases.

Plant, machinery, fixtures and fittings

At various rates, generally between 5% and 33% calculated to write off these assets over their remaining useful lives.

An amount equivalent to that part of the charge for annual depreciation of revalued assets which relates to the surplus over cost is transferred from revaluation reserve to profit and loss account.

Property disposals

Disposals of properties are recognised on exchange of contracts. Where obligations remain outstanding, a proportion of the profit is deferred. The difference between the net book value and the net proceeds arising from property disposals is dealt with through the profit and loss account and any realised revaluation surplus or deficit is transferred from the revaluation reserve to the profit and loss reserve.

SAXONE LIMITED

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ACCOUNTING POLICIES (Continued)

Investments

- (i) Shares in subsidiaries are included in the company's balance sheet at the lower of cost and directors' valuation.
- (ii) Participating interests, where these are not material in relation to the company's assets or profits, are included in the balance sheet at the lower of cost and directors' valuation, and included in the profit and loss account only to the extent of dividends received therefrom.
- (iii) Other investments are included at cost.

Goodwill

Fair values are ascribed to tangible assets and liabilities of subsidiary undertakings at dates of acquisition and any surplus or deficiency between such values and the purchase consideration is dealt with through reserves. Subsequent adjustments are also dealt with through reserves. When a business is sold or discontinued any goodwill dealt with through reserves at the time the business was purchased is included in the calculation of profit or loss on disposal or closure.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation in respect of capital allowances and all other timing differences is provided under the liability method to the extent that a liability or an asset is expected to crystallise in the foreseeable future.

Retirement benefits

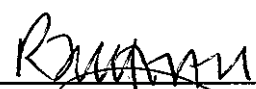
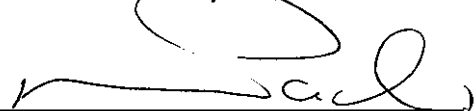
The amount charged to the profit and loss account reflects the cost, based on actuarial estimates, of providing for pensions and other retirement benefits arising during the year. Pension surpluses and deficiencies are allocated over the expected remaining service lives of existing employees. Any excess or deficiency of contributions paid into pension schemes compared to the cumulative pension cost is included in prepayments or accruals.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****PROFIT AND LOSS ACCOUNT****FOR THE 53 WEEKS ENDED 3RD FEBRUARY 1996**

	<u>Notes</u>	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> (Restated) <u>£000's</u>
TURNOVER			
from discontinued operations	2	590,543	612,922
Cost of Sales	3	<u>(343,664)</u>	<u>(361,694)</u>
GROSS PROFIT		246,879	251,228
Net operating expenses	3	<u>(259,378)</u>	<u>(244,987)</u>
Income from fixed asset investments	8	<u>14,201</u>	<u>7</u>
TRADING PROFITS			
from discontinued operations	4	1,702	6,248
Profit on disposal of businesses	5	76,701	-
Profit on the sale of fixed asset investments	5	149,999	-
Profit on disposal of properties	5	690	23,616
Permanent diminution in value of assets	5	<u>(4,715)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		224,377	29,864
Interest (payable)/receivable	6	<u>(2,838)</u>	<u>1,089</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		221,539	30,953
Tax on profit on ordinary activities	9	<u>13,609</u>	<u>35,069</u>
PROFIT FOR THE FINANCIAL YEAR		235,148	66,022
Dividends on equity shares	10	<u>(717,620)</u>	<u>-</u>
(DEDUCTED FROM)/ADDED TO RESERVES	18	<u>(482,472)</u>	<u>66,022</u>

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****BALANCE SHEET - 3RD FEBRUARY 1996**

	<u>Notes</u>	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
FIXED ASSETS			
Tangible assets	11	-	86,744
Investments	12	<u>-</u>	<u>10,232</u>
		-	96,976
CURRENT ASSETS			
Stocks	13	-	2,274
Debtors: amounts falling due within one year	14	-	88,871
Debtors: amounts falling due after one year	14	-	356,011
Cash at bank and in hand		<u>-</u>	<u>13,533</u>
		-	460,689
CREDITORS: amounts falling due within one year	15	<u>(5,282)</u>	<u>(50,816)</u>
NET CURRENT (LIABILITIES)/ASSETS		(5,282)	409,873
TOTAL ASSETS LESS CURRENT LIABILITIES		(5,282)	506,849
CREDITORS: amounts falling due after one year	15	-	(12,466)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>-</u>	<u>(17,488)</u>
		<u>(5,282)</u>	<u>476,895</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,500	1,500
Share premium account	18	10,000	10,000
Revaluation reserve	18	-	4,582
Profit and loss account	18	(16,782)	460,813
SHAREHOLDERS' FUNDS (all equity interest)		<u>(5,282)</u>	<u>476,895</u>

R J COTTERELL )
M A PACK ) Directors

The accounts were approved by the Board of Directors on 30th August 1996.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES FOR THE YEAR ENDED 3RD FEBRUARY 1996**

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Profit for the financial year	235,148	66,022
Other movements	-	155
	<hr/>	<hr/>
	235,148	66,177
Exchange adjustments on foreign currency net investment	295	(201)
	<hr/>	<hr/>
Total recognised gains for the year	<u>235,443</u>	<u>65,976</u>
Total recognised gains since last accounts	<u>235,443</u>	<u>65,976</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 3RD FEBRUARY 1996**

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Profit on ordinary activities before taxation	221,539	30,953
Realisation of property revaluation gains of previous years	4,692	29,185
Difference between historical depreciation charge and the actual depreciation charge calculated on the revalued amount	28	282
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	226,259	60,420
	<hr/>	<hr/>
Historical cost (loss)/profit for the year retained after taxation and dividends	<u>(477,752)</u>	<u>95,489</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS'
FUNDS FOR THE YEAR ENDED 3RD FEBRUARY 1996**

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Profit for the financial year	235,148	66,022
Dividends	(717,620)	-
Other recognised gains/(losses)	295	(46)
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(482,177)	65,976
Shareholders' funds at 1st February	476,895	410,919
	<hr/>	<hr/>
Shareholders' funds at 3rd February	<u>(5,282)</u>	<u>476,895</u>

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS**

1. Sale of business

On 1st February 1996 the company sold its business and net assets to Sears Sportsworld Limited. Under the terms of the agreement for the sale, the company was entitled to all profits and losses earned or incurred by the company up to and including 3rd February 1996.

2. Segmental information

Class of business

The company's sole class of business is the retailing of footwear.

Geographical analysis

	<u>1995/96</u>			<u>1994/95</u>		
	United Kingdom £'000's	Other EC Countries £'000's	Total £'000's	United Kingdom £'000's	Other EC Countries £'000's	Total £'000's
Turnover (origin and destination)	574,254	16,289	590,543	597,809	15,113	612,922
Profit/(loss) before taxation	213,029	(53)	212,976	30,996	(43)	30,953
Net assets/ (liabilities)	(13,845)	-	(13,845)	475,456	1,439	476,895

3. Cost of sales and net operating expenses

	<u>1995/96</u> Discontinued £000's	<u>1994/95 (as restated)</u> Discontinued £000's
Cost of sales	(343,664)	(361,694)
Net operating expenses		
Distribution costs	(273,353)	(234,288)
Administrative expenses	(24,124)	(12,349)
Other income	38,099	1,650
	<u>(259,378)</u>	<u>(244,987)</u>

Other income includes charges made to a subsidiary company of £37,575,000 (1994/95 - £1,650,000) and income from third parties for services provided.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)**

3. Cost of sales and net operating expenses (Continued)

Included in net operating expenses are exceptional distribution costs of £2,000,000 and exceptional administrative costs of £8,000,000 in respect of the reorganisations of IT, accounting and logistics (see note 5).

4. Trading profits

Trading profits are stated after charging/(crediting):	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Rent receivable	(7,472)	(9,296)
Depreciation (note 11)	15,583	14,480
Auditors' remuneration	105	111
Operating lease rentals:		
Hire of plant and machinery	746	755
Other operating leases	79,185	79,664
Management charge to group company	(37,575)	(1,650)

5. Exceptional items

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Charged in arriving at trading profit:		
Reorganisation costs	(10,000)	-
Charged below trading profit:		
Profit on disposal of businesses:		
Profit on disposal of business and assets to Sears Sportsworld Limited	136,944	-
Loss on disposal of Freeman Hardy Willis, Trueform and Manfield	(9,743)	-
Loss on disposal of Saxone, Curtess and resulting closure costs	(30,000)	-
Additional provision for loss on disposal	(20,500)	-
Total profit on disposal of businesses	76,701	-
Profit on the sale of fixed asset investments:		
Realisation of investment in BSC Footwear Supplies Limited	149,999	-
Profit on sale of properties	690	23,616
Permanent diminution in value of assets	(4,715)	-
	<u>222,675</u>	<u>23,616</u>

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

5. Exceptional items (Continued)

The provision for reorganisation costs of £10,000,000 relates to the estimated future costs of outsourcing the company's information technology, accounting and logistics functions.

On 26th August 1995, the company sold its Freeman Hardy Willis, Manfield and Trueform businesses and on 3rd February 1996 its Saxone and Curtess businesses to subsidiaries of and companies associated with Facia Limited. Facia failed to settle all debts owed to the Sears Group as at 31st May 1996. Consequently on 31st May 1996, the group petitioned for Administration of the relevant Facia companies. Additional provision of £20,500,000 has been made by the company to cover the cost of disposal of properties formerly occupied by the Facia group.

On 1st February 1996, the company sold its business and certain assets to Sears Sportsworld Limited, realising a profit on disposal of £136,944,000. It also sold its investment in BSC Footwear Supplies Limited to Sears Sportsworld Limited, realising a profit of £149,999,000.

The permanent diminution in value of assets reflects the write down of investments in subsidiaries to their net worth, prior to their disposal to Sears Sportsworld Limited.

6. Interest

	<u>1995/96</u>	<u>1994/95</u>
	<u>£000's</u>	<u>£000's</u>
Interest payable and similar charges		
Group company loans	(3,761)	(3,055)
Bank overdraft and other borrowings	(12)	(26)
Finance leases	-	(34)
Other interest	(17)	(6)
Interest receivable and similar income		
Interest from group companies	693	1,364
Bank interest	39	10
Other interest	<u>220</u>	<u>2,836</u>
	<u>(2,838)</u>	<u>1,089</u>

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

7. Employees and directors

The average number of employees in the company, the majority of whom were employed in the UK was 20,280 (1994/95 - 21,041) including 15,916 (1994/95 - 16,175) part time employees.

Trading profits are stated after taking account of the following costs relating to employees:

	<u>1995/96</u>	<u>1994/95</u>
	<u>£000's</u>	<u>£000's</u>
Wages and salaries	96,640	100,250
Social security costs	5,603	6,054
Other pension costs	<u>740</u>	<u>517</u>
	<u>102,983</u>	<u>106,821</u>
Director's emoluments	<u>1995/96</u>	<u>1994/95</u>
	<u>£000's</u>	<u>£000's</u>
Total remuneration:		
Salary	928	784
Pension contributions	18	115
Other	<u>69</u>	<u>64</u>
	<u>1,015</u>	<u>963</u>

In addition to the above pension contributions paid during the year £104,000 (1994/95 - £53,000) has been charged in the year for director's unfunded pension liabilities.

No remuneration was paid to the chairman during the year (1994/95 Nil).

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)**

7. Employees and directors (Continued)

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Highest paid director's remuneration:		
Salary	178	173
Pension contributions	2	13
Other	<u>11</u>	<u>13</u>
	<u>191</u>	<u>199</u>

Emoluments excluding pension contributions of the other directors were in the following ranges:

		<u>1995/96</u>	<u>1994/95</u>			<u>1995/96</u>	<u>1994/95</u>
From £	To £	Number of directors	Number of directors	From £	To £	Number of directors	Number of directors
10,001	15,000	1	-	100,001	105,000	-	2
25,001	30,000	1	-	110,001	115,000	2	-
30,001	35,000	1	-	115,001	120,000	1	-
65,001	70,000	1	1	135,001	140,000	-	1
75,001	80,000	1	1				
80,001	85,000	2	1				
90,001	95,000	1	-				
95,001	100,000	-	1				

The interest of the directors in the share capital of the company are given within the report of the directors.

8. Income from fixed asset investments

	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
Income from other fixed asset investments	22	7
Income from shares in subsidiary undertakings	<u>14,179</u>	<u>-</u>
	<u>14,201</u>	<u>7</u>

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

9.	Tax on profit on ordinary activities	<u>1995/96</u> <u>£000's</u>	<u>1994/95</u> <u>£000's</u>
	UK corporation tax at 33% (1994/95 33%)	7,722	3,783
	Overseas taxation	(70)	(78)
	Adjustments relating to prior years	203	20,074
	Advance Corporation Tax on dividend received	(1,004)	(1)
	UK deferred taxation - current year	6,676	(1,728)
	- prior year	<u>82</u>	<u>13,019</u>
	Tax credit for the year	<u>13,609</u>	<u>35,069</u>

A tax credit of £5,510,000 arises on exceptional items (1994/95 - Nil).

The credit for taxation has been increased by £368,000 (1994/95 £Nil) in respect of capital allowances and other timing differences for which no deferred taxation has been provided.

10. Dividends on equity shares

A dividend of £4,021,000 was paid on 23 December 1995 and a further dividend of £713,599,000 was paid on 1st February 1996 from accumulated reserves.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)****11. Fixed tangible assets**

	<u>Land and buildings £000's</u>	<u>Plant machinery and vehicles £000's</u>	<u>Fixtures fittings and office equipment £000's</u>	<u>Total £000's</u>
Cost or valuation				
At 1st February 1995	42,407	18,136	106,712	167,255
Exchange adjustments	229	3	85	317
Additions External	6,944	4,325	28,144	39,413
Additions Group	1,963	-	-	1,963
Disposals External	(7,283)	(1,825)	(33,501)	(42,609)
Disposal Group	(44,260)	(20,639)	(101,440)	(166,339)
At 3rd February 1996	—	—	—	—
Accumulated depreciation				
At 1st February 1995	11,750	8,542	60,219	80,511
Exchange adjustments	5	2	59	66
Charge for year	2,053	3,181	10,349	15,583
Disposals External	(3,567)	(1,188)	(24,295)	(29,050)
Disposal Group	(10,241)	(10,537)	(46,332)	(67,110)
At 3rd February 1996	—	—	—	—
Net book amount				
At 3rd February 1996	—	—	—	—
At 31st January 1995	<u>30,657</u>	<u>9,594</u>	<u>46,493</u>	<u>86,744</u>

The net book amount of land and buildings comprises:

	<u>1996 £000's</u>	<u>1995 £000's</u>
Freehold	-	6,447
Long leasehold	-	3,037
Short leasehold	—	<u>21,173</u>
	—	<u>30,657</u>

The Company's properties were professionally valued by Healey & Baker at 31st January 1993. The basis of valuation was open market value assuming vacant possession of those parts of the properties then occupied by the company.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)****11. Fixed tangible assets (Continued)**

On an historical cost basis land and buildings would have been included at the following amounts:

	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Cost	-	37,933
Accumulated depreciation	—	(11,858)
Net book amount	—	<u>26,075</u>

Land and buildings include the following in respect of assets held for use under operating leases:

	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Cost	-	3,402
Accumulated depreciation	—	(663)
Net book amount	—	<u>2,739</u>

12. Investments

	<u>Shares in</u> <u>subsidiary</u> <u>undertakings</u> <u>£000's</u>	<u>Other</u> <u>undertakings</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Cost at 1st February 1995	10,230	2	10,232
Acquisitions	-	-	-
Write down	(601)		(601)
Disposals	(9,629)	(2)	(9,631)
At 3rd February 1996	—	—	—

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

12. Investments (Continued)

Particulars of subsidiary undertakings transferred to Sears Sportsworld Limited

	<u>Nature of business</u>
B.S.C. Shops (No. 3) Limited	Footwear importation and wholesaling
B.S.C. (Shoe Repairs) Limited	Footwear importation and wholesaling
B.S.C. Footwear Services Limited	Footwear importation and wholesaling
B.S.C. Footwear Supplies Limited	Footwear warehousing and wholesaling
B.S.C. Properties Limited	Footwear importation and wholesaling
British Shoe International Limited	Footwear importation and wholesaling
Character Shoes Limited	Footwear importation and wholesaling
Coopers (St Ebbes) Limited	Footwear importation and wholesaling
B.S.C. Shops (No. 5) Limited	Footwear importation and wholesaling
B.S.C. Shops (No. 1) Limited	Footwear importation and wholesaling
Shoe Connection Limited	Footwear importation and wholesaling
Jouralle Limited	Footwear importation and wholesaling
Lilley and Skinner Limited	Footwear importation and wholesaling
Manfield (Germany) Limited	Footwear importation and wholesaling
Roland Cartier International Shoe Collection Ltd	Footwear importation and wholesaling
B.S.C. Shops (No. 4) Limited	Footwear importation and wholesaling
Sears Footwear Limited	Footwear importation and wholesaling
B.S.C. Shops (No. 2) Limited	Footwear importation and wholesaling
Famous Footwear Limited	Footwear importation and wholesaling
X IBIS (219) Limited	Footwear importation and wholesaling
Wolsey Road Engineering Limited	Has not traded
B.S.C. Stores Limited	Has not traded
Cable & Co (UK) Limited	Has not traded
Caroll (UK) Limited	Has not traded
Comfort Shoes Limited	Has not traded
Dolcis Limited	Has not traded
Fantasystar Limited	Has not traded
Moonjewel Limited	Has not traded
Pacificheights Limited	Has not traded
Sears Factors Limited	Has not traded
Sears Jewellers Limited	Has not traded
Selfridges (Oxford) Limited	Has not traded
Shoe City Limited	Has not traded
Shoe Express Limited	Has not traded
Staplefisher Limited	Has not traded

All of the above companies are registered in England, with the exception of Trueform Limited, which is registered in Scotland, and were all 100 per cent subsidiaries. Those which have traded during the financial year, have operated within Great Britain.

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

12. Investments (Continued)

Particulars of other undertakings disposed of during the year.

The company owned 20% of the ordinary share capital of Footwear Properties Limited, a company registered in England.

The company owned 20% of the ordinary share capital of Shoe Vouchers Limited, a company registered in England.

13. Stocks

	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Raw materials and consumables	—	<u>2,274</u>

14. Debtors

	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Amounts falling due within one year:		
Trade debtors	-	5,489
Amounts owed by group undertakings	-	19,718
Amounts owed by subsidiary undertakings	-	42,124
Other debtors	-	3,664
Prepayments and accrued income	-	12,526
Corporation tax recoverable	—	<u>5,350</u>
	—	<u>88,871</u>
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	-	7,548
Amounts owed by group undertakings	—	<u>348,463</u>
	—	<u>356,011</u>

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)**

15. Creditors

	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Amounts falling due within one year:		
Amounts owed to group undertakings	5,282	4,605
Amounts owed to subsidiary undertakings	-	7,017
Other creditors	-	10,575
Corporation tax payable	-	-
Other taxes and social security	-	16,977
Accruals and deferred income	-	11,642
	<u>5,282</u>	<u>50,816</u>
Amounts falling due after one year:		
Amounts owed to subsidiary undertakings	-	12,466
Amounts owed to group undertakings	-	-
	<u>-</u>	<u>12,466</u>

16. Provisions for liabilities and charges

	<u>Deferred</u> <u>Taxation</u> <u>£000's</u>	<u>Retirement</u> <u>Benefits</u> <u>£000's</u>	<u>Reorganisations</u> <u>and Disposals</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
Balances at 1st February 1995	313	2,951	14,224	17,488
Provided in the year	(6,706)	161	70,243	63,698
Used in the year	(52)	-	(26,424)	(26,476)
	<u>(6,445)</u>	<u>3,112</u>	<u>58,043</u>	<u>54,710</u>
Transferred to a fellow subsidiary undertaking	6,445	(3,112)	(58,043)	(54,710)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances at 3rd February 1996	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax asset transferred to a group company relates to the short term timing differences arising from the provisions created in the year.

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)**

16. Provisions for liabilities and charges (Continued)

Details of the full potential liability for deferred taxation and the extent to which provision has been made in these accounts are set out below:

	<u>Potential liability</u>		<u>Provision made</u>	
	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>	<u>1996</u> <u>£000's</u>	<u>1995</u> <u>£000's</u>
Capital allowances in excess of depreciation	5,127	5,535	-	-
Short term and other timing differences	(6,445)	313	(6,445)	313
	—	—	—	—
	1,318	5,848	(6,445)	313
Transferred to a fellow subsidiary undertaking	(1,318)	-	6,445	-
	—	—	—	—
	—	<u>5,848</u>	—	<u>313</u>

Particulars of retirement benefits are set out in note 8 of the Annual Report of Sears plc.

17. Share capital

	<u>Authorised</u> <u>Shares</u>	<u>Issued and fully paid</u> <u>Shares</u>	<u>£000's</u>
Ordinary shares of £1 each at 31st January 1995 and 3rd February 1996	<u>1,537,500</u>	<u>1,500,000</u>	<u>1,500</u>

SAXONE LIMITED**(formerly British Shoe Corporation Limited)****NOTES ON THE ACCOUNTS (Continued)**

18. Reserves

	<u>Share Premium £000's</u>	<u>Revaluation Reserve £000's</u>	<u>Profit and Loss Account £000's</u>
Balances at 1st February 1995	10,000	4,582	460,813
Exchange differences	-	138	157
Profit retained for the year	-	-	235,148
Transfers:			
Revaluation surplus realised on disposal	-	(4,692)	4,692
Amount equivalent to depreciation on revaluation surplus	-	(28)	28
Dividends	<u>-</u>	<u>-</u>	<u>(717,620)</u>
Balances at 3rd February 1996	<u>10,000</u>	<u>-</u>	<u>(16,782)</u>

19. Commitments for capital expenditure

	<u>1996 £000's</u>	<u>1995 £000's</u>
Contracted for but not provided	-	8
Authorised but not contracted for	-	8,794

20. Commitments under operating leases

The company had annual commitments under non-cancellable operating leases expiring as follows:-

	<u>1996 £000's</u>	<u>1995 £000's</u>
Within one year	929	2,555
Within two to five years	1,594	3,948
After five years	<u>10,878</u>	<u>71,520</u>
	<u>13,401</u>	<u>78,023</u>

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

NOTES ON THE ACCOUNTS (Continued)

21. Pension commitments

The company is a member of three defined benefit schemes, the assets of which are held in separate trustee administered funds. The schemes are open to certain employees of the Sears plc group of companies, and further particulars are set out in note 8 of the Annual Report of that company.

The total pension cost for the company was £740,000 (1994/95 £517,000).

22. Ultimate parent undertaking

The company is exempt from submitting group accounts by virtue of Section 228 of the Companies Act 1985.

The ultimate parent undertaking of the company is Sears plc which is registered in England. Sears plc accounts can be obtained from the Company Secretary at 40 Duke Street, London, W1A 2HP.

The results of the company are initially consolidated within the accounts of The Retail Corporation plc, which is registered in England; copies of these accounts can be obtained from the address given above.

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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

The directors consider that in preparing the financial statements on pages 7 to 26, the Company have 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 keep 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, having prepared the financial statements have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

AUDITORS' REPORT TO THE MEMBERS OF

SAXONE LIMITED

(formerly British Shoe Corporation Limited)

We have audited the financial statements on pages 7 to 26 which have been prepared under the historical cost convention as modified by the revaluation of land and buildings and the accounting policies set out on pages 7, 8 and 9.

Respective responsibilities of directors and auditors

As described on page 27 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

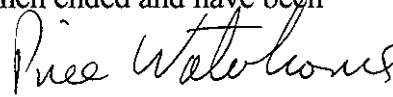
Basis of opinion

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 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 3rd February 1996 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


PRICE WATERHOUSE
Chartered Accountants
and Registered
Auditors

Southgate House
61 Millstone Lane
Leicester
LE1 5QA

30th August 1996