

**SEARS LIMITED**

**DIRECTORS' REPORT**  
**AND ACCOUNTS**

**FOR THE YEAR ENDED**  
**31st JANUARY 2003**

Company Number: 120271



## CONTENTS

|  |        |
|--|--------|
| Directors' report .....                                  | Page 1 |
| Report of the auditors .....                             | Page 4 |
| Consolidated profit and loss account .....               | Page 5 |
| Consolidated balance sheet .....                         | Page 6 |
| Company balance sheet .....                              | Page 7 |
| Reconciliation of movements in shareholders' funds ..... | Page 8 |
| Notes to the accounts .....                              | Page 9 |

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

The directors present their report and the audited financial statements of the Group and the Company for the year ended 31st January 2003.

**REVIEW OF ACTIVITIES**

The principal activity of the Group and the Company during the year was the management of the Group's properties. For the year ended 31st January 2003, the Group made a profit of £5.1 million before interest and taxation. An interim dividend of £146.6m was paid during the year. No final dividend is proposed.

**FIXED ASSETS**

Changes in tangible assets of the Group during the year are set out in note 7.

**AUDITORS**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 21st February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year are:

A S Barclay  
P N R Green  
M Seal  
P L Peters

At no time during the year did any director of the Company have an interest in the share capital of the Company or in a contract entered into by a Group company which was of significance in relation to the Group's business or directors.

**SECRETARY AND REGISTERED OFFICE**

Sears Company Secretary Limited

Fourth Floor  
Euston House  
132 Hampstead Road  
London NW1 2PS

**AUDITORS**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

**DIRECTORS' REPORT (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**SOLICITORS**

Dechert  
2 Serjeants' Inn  
London EC4Y 1LT

**PAYMENT POLICY AND PRACTICE**

It is not the Group's policy to follow a code of standard payment practice. Payments are made in accordance with terms agreed in advance with each supplier. The Company had no trade creditors as at 31st January 2003.



Sears Company Secretary Limited

30<sup>th</sup> May 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

The following statement, which should be read in conjunction with the report of the Auditors set out on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to 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 and the Group as at the end of the financial year and of the profit and loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 20, the Company and the Group have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group 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 the Group 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF SEARS LIMITED**

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

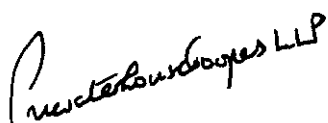
**BASIS OF AUDIT OPINION**

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 and the group at 31 January 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
30 May 2003

**CONSOLIDATED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

|   | Notes | 2003<br>£m | 2002<br>£m |
|---|-------|------------|------------|
| <b>Turnover - continuing</b>                                |       | 7.8        | 16.9       |
| Cost of sales   |       | (4.5)      | (7.7)      |
| Gross profit  |       | 3.3        | 9.2        |
| Administrative expenses                                     |       | -          | (3.7)      |
| Sundry income   |       | 0.3        | -          |
| <b>Trading profit - continuing</b>                          | 1     | 3.6        | 5.5        |
| Profit/(loss) on disposal of assets                         | 2     | 1.5        | (5.6)      |
| <b>Profit/(loss) on ordinary activities before interest</b> |       | 5.1        | (0.1)      |
| Net interest payable  | 3     | (1.0)      | (0.6)      |
| <b>Profit/(loss) on ordinary activities before taxation</b> |       | 4.1        | (0.7)      |
| Tax on profit/(loss) on ordinary activities                 | 4     | -          | (0.3)      |
| <b>Profit/(loss) on ordinary activities after taxation</b>  |       | 4.1        | (1.0)      |
| Minority interests - Preference dividends payable           | 5     | (0.3)      | (0.9)      |
| <b>Profit/(loss) for the financial year</b>                 |       | 3.8        | (1.9)      |
| Dividends on Ordinary shares                                | 5     | (146.6)    | -          |
| <b>Transferred from reserves</b>                            |       | (142.8)    | (1.9)      |

The Group has no recognised gains or losses, nor historical cost profits or losses other than those reported above. Therefore separate statements of total recognised gains and losses and historical cost profits and losses are not required.

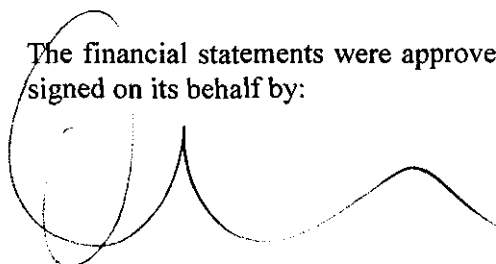
Sears Limited and Subsidiary Undertakings

**CONSOLIDATED  
BALANCE SHEET  
AS AT 31<sup>st</sup> JANUARY 2003**

|  | Note | 2003  |        | 2002  |        |
|--|------|-------|--------|-------|--------|
|  |      | £m    | £m     | £m    | £m     |
| <b>Fixed assets</b>                              |      |       |        |       |        |
| Tangible assets                                  | 7    |       |        |       | 37.1   |
| Investment Properties                            | 7    |       | 30.4   |       |        |
| <b>Current assets</b>                            |      |       |        |       |        |
| Debtors (due in less than one year)              | 9    | 410.1 |        | 557.4 |        |
| Cash at bank and in hand                         | 10   | 3.2   |        | 4.1   |        |
|  |      | 413.3 |        | 561.5 |        |
| <b>Creditors (due in less than one year)</b>     | 11   | (2.3) |        | (6.3) |        |
| <b>Net current assets</b>                        |      |       | 411.0  |       | 555.2  |
| <b>Total assets less current liabilities</b>     |      |       | 441.4  |       | 592.3  |
| <b>Creditors ( due after more than one year)</b> | 11   |       | (27.0) |       | (17.0) |
| <b>Provisions for liabilities and charges</b>    | 13   |       | (0.6)  |       | (7.7)  |
| <b>Net assets</b>                                |      |       | 413.8  |       | 567.6  |
| <b>Capital and reserves</b>                      |      |       |        |       |        |
| Called up share capital                          | 14   |       | 381.8  |       | 381.8  |
| Share premium account                            |      |       | 18.3   |       | 18.3   |
| Profit and loss account                          | 15   |       | 11.2   |       | 154.0  |
| <b>Equity shareholder's funds</b>                |      |       | 411.3  |       | 554.1  |
| <b>Minority interests in Preference shares</b>   | 18   |       | 2.5    |       | 13.5   |
|  |      |       | 413.8  |       | 567.6  |

The notes on pages 9 to 20 form part of these accounts.

The financial statements were approved by the Board of Directors on the 30<sup>th</sup> May 2003 and were signed on its behalf by:



P N R GREEN  
DIRECTOR



M SEAL  
DIRECTOR



Sears Limited and Subsidiary Undertakings

**COMPANY  
BALANCE SHEET  
AS AT 31<sup>st</sup> JANUARY 2003**

|                                       | Notes | 2003    |       | 2002    |         |
|---------------------------------------|-------|---------|-------|---------|---------|
|                                       |       | £m      | £m    | £m      | £m      |
| <b>Fixed assets</b>                   |       |         |       |         |         |
| Tangible assets                       | 7     |         |       |         | 1.7     |
| Investment Property                   | 7     |         | 1.7   |         |         |
| Investments                           | 8     |         | 156.0 |         | 845.3   |
|                                       |       |         | 157.7 |         | 847.0   |
| <b>Current assets</b>                 |       |         |       |         |         |
| Debtors ( due in less than one year)  | 9     | 410.0   |       | 568.0   |         |
| Cash                                  | 10    | 2.5     |       | 1.7     |         |
|                                       |       | 412.5   |       | 569.7   |         |
| Creditors (due in less than one year) | 11    | (158.9) |       | (862.6) |         |
| Net current assets/(liabilities)      |       |         | 253.6 |         | (292.9) |
| Total assets less current liabilities |       |         | 411.3 |         | 554.1   |
| Net assets                            |       |         | 411.3 |         | 554.1   |
| <b>Capital and reserves</b>           |       |         |       |         |         |
| Called up share capital               | 14    |         | 381.8 |         | 381.8   |
| Share premium account                 |       |         | 18.3  |         | 18.3    |
| Profit and loss account               | 15    |         | 11.2  |         | 154.0   |
| Equity shareholder's funds            |       |         | 411.3 |         | 554.1   |

The notes on pages 9 to 20 form part of these accounts.

The financial statements were approved by the Board of Directors on the 30<sup>th</sup> May 2003 and were signed on its behalf by:

  
P N R GREEN  
DIRECTOR

  
M SEAL  
DIRECTOR

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

|                                      | <b>2003</b>    | <b>2002</b>  |
|--------------------------------------|----------------|--------------|
|                                      | <b>£m</b>      | <b>£m</b>    |
| Profit/(loss) for the financial year | <b>3.8</b>     | <b>(1.9)</b> |
| Dividends on Ordinary shares         | <b>(146.6)</b> | <b>-</b>     |
| Net decrease in shareholder's funds  | <b>(142.8)</b> | <b>(1.9)</b> |
| Shareholder's funds at 1st February  | <b>554.1</b>   | <b>556.0</b> |
| Shareholder's funds at 31st January  | <b>411.3</b>   | <b>554.1</b> |

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**STATEMENT OF 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 investments in subsidiary undertakings.

The Company has reviewed its accounting policies in line with Financial Reporting Standard 18 "Accounting Policies" during the year, and is satisfied it has adopted the most appropriate.

**BASIS OF CONSOLIDATION**

The principal subsidiary undertakings are listed in note 18. The results of subsidiary undertakings disposed of during the year are included in the consolidated results up to the effective date of disposal.

As permitted by Section 230(1) of the Companies Act 1985, the Company has not presented its own profit and loss account in addition to the consolidated profit and loss account.

**CASH FLOW STATEMENT**

The company has taken advantage of the exemption provided in FRS1 and has not produced a Cash Flow Statement. The Company is a wholly owned subsidiary of January Investments Limited whose financial statements include a consolidated Cash Flow Statement dealing with the cash flows of January Investments Limited and its subsidiary undertakings.

**INVESTMENT PROPERTIES**

Investment properties are shown at their open market value and are not depreciated.

**DEPRECIATION OF FIXED ASSETS**

*Freehold and Long Leaseholds:* Freehold and Long leaseholds are depreciated at 2% p.a.

*Short Leaseholds:* Leasehold properties with less than 50 years to run are depreciated by equal instalments over the remaining period of the leases.

*Plant, Machinery, Fixtures and Fittings:* These are depreciated at various rates, generally between 10% p.a. and 33% p.a., calculated to write off these assets over their remaining useful lives.

**DISPOSALS OF PROPERTIES**

Disposals of properties are recognised on exchange of contracts. Where obligations remain outstanding, a proportion of the profit is deferred.

**INVESTMENTS**

Shares in subsidiary undertakings are included in the Company's balance sheet at the Company's share of the net assets of those subsidiary undertakings. Valuation losses are charged to profit and loss account.

**TURNOVER**

Turnover represents rents receivable, net of value added tax, from the letting of the Group's properties to external tenants and income from the management and development of the Group's properties

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**STATEMENT OF ACCOUNTING POLICIES (continued)**

**GOODWILL**

Fair values are ascribed to tangible assets and liabilities of subsidiary undertakings, at the date of acquisition. Any surplus or deficiency between such values and the purchase consideration is dealt with through reserves in relation to acquisitions made before 1st February 1998. In accordance with FRS10 goodwill on acquisitions post 1st February 1998 will be capitalised and amortised over its estimated useful life. When a business is sold or closed, any goodwill dealt with directly through reserves at the time the business was purchased is included in the calculation of profit or loss on disposal or closure.

**TAXATION**

Taxation provided is that chargeable on the profits of the period, together with deferred taxation.

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. In accordance with FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

**LEASES**

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 the profit and loss account over the period to the next rent review.

**RETIREMENT BENEFITS**

Contributions to the Sears Group schemes are assessed by a qualified actuary based on the cost of providing pensions across all participating Sears Group companies. Pension surpluses and deficiencies are not determined for each individual company; hence contributions are charged to the profit and loss account in the period in which they become payable.

In addition to the above, Accounting Standard FRS17 on Retirement Benefits requires financial statements to reflect the assets and liabilities arising from retirement benefit obligations and any related funding, measured at fair value.

Full application of FRS17 requirements is not mandatory until accounting periods beginning on or after 1st January 2005. The transitional disclosures required by FRS17 Retirement Benefits for 2002/03 are set out in note 6.

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**1. TRADING PROFIT**

| Trading profit is stated after charging:   | 2003 | 2002 |
|--|------|------|
|  | £m   | £m   |
| Depreciation   | -    | 0.8  |
| Rentals payable under operating leases - property  | 4.5  | 8.6  |
| Audit fees charged amount to £28,000 (2002 - £39,000) including £10,000 (2002 - £7,000) for the Company. |      |      |

**2. EXCEPTIONAL ITEMS**

| Profit/(loss) on disposal of assets        | 2003 | 2002  |
|--|------|-------|
|  | £m   | £m    |
| Write off of deferred income on Facia debt | -    | (1.3) |
| Profit on disposal of subsidiaries         | 1.5  | -     |
| Loss on the sale of unlisted investment    | -    | (4.0) |
| Loss on the sale of properties             | -    | (0.3) |
|  | 1.5  | (5.6) |

**3. NET INTEREST PAYABLE**

|                                       | 2003  | 2002  |
|---------------------------------------|-------|-------|
|                                       | £m    | £m    |
| Interest on bank loans and overdrafts |       |       |
| - repayable in less than 5 years      | (1.1) | (1.7) |
| Interest receivable                   | 0.1   | 1.1   |
|                                       | (1.0) | (0.6) |

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

|   | <b>2003</b> | <b>2002</b>  |
|---|-------------|--------------|
|   | <b>£m</b>   | <b>£m</b>    |
| UK corporation tax at 30 % (2002 - 30%) | -           | -            |
| Overseas taxation                       | -           | (3.0)        |
| <b>Total tax charge</b>                 | <b>-</b>    | <b>(3.0)</b> |

A UK corporation tax charge of nil arises on exceptional items (2002 £nil).

It is estimated that the group's tax losses for the year available for group relief will exceed taxable profits and consequently no current UK corporation tax charge arises for the year.

At 31st January 2003 a deferred tax asset amounting to £3m and represented by capital allowances has not been recognized as there is insufficient evidence of the availability of future taxable profits for the asset to be recovered.

**5. DIVIDENDS**

|  | <b>2003</b>  | <b>2002</b> |
|--|--------------|-------------|
|  | <b>£m</b>    | <b>£m</b>   |
| <b>Equity - ordinary dividends</b>               |              |             |
| Interim dividends of 96p per share (2002 - nil)  | <b>146.6</b> | <b>-</b>    |
| <b>Minority Interests - preference dividends</b> |              |             |
| 3.25p per share (2002 - 6.5p)                    | -            | 0.2         |
| 2.875p per share (2002 - 5.75p)                  | -            | 0.1         |
| 3.25p per share (2002 - 6.5p)                    | <b>0.1</b>   | 0.4         |
| 6p per share (2002 - 6p)                         | <b>0.2</b>   | 0.2         |
|  | <b>0.3</b>   | <b>0.9</b>  |

**6. EMPLOYEES & DIRECTORS**

|                              | <b>2003</b> | <b>2002</b> |
|------------------------------|-------------|-------------|
|                              | <b>£m</b>   | <b>£m</b>   |
| <b>Directors Emoluments</b>  |             |             |
| Aggregate emoluments         | -           | -           |
| <b>Highest paid director</b> |             |             |
| Aggregate emoluments         | -           | -           |

During the year no directors were entitled to retirement benefits (2001/02 - £Nil).

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**6. EMPLOYEES & DIRECTORS (continued)****Employees**

The average number of employees in the Group, all of whom were employed in the UK in the Group's property and administration activities, was one (2002 - one), with no part time employees.

|                        | 2003 | 2002 |
|------------------------|------|------|
|                        | £m   | £m   |
| Wages and salaries     | -    | 0.1  |
| Social security costs  | -    | -    |
| Other pension benefits | -    | -    |
|                        | -    | 0.1  |

**Benefits are available to eligible employees as follows:**

**Pension Schemes**

Sears Limited operates three funded, defined benefit pension schemes. The assets of each of the schemes are held in separate trustee administered funds. Two of the schemes were subject to actuarial reviews at 5th April 2001, the remaining scheme had its valuation undertaken at 5th April 2002. All three valuations were performed by Watson Wyatt.

The pension costs relating to the schemes were assessed in accordance with the advice of qualified actuaries using the projected unit credit method. The assumptions which were adopted and which have most significance on the results of the valuations are as follows:

|                               |              |
|-------------------------------|--------------|
| Rate of return on investments | 5.0% to 5.2% |
| Rate of increase in salaries  | 4.5%         |
| Rate of increase in pensions  | 2.5%         |

The aggregate market value of the Schemes' investments at 31st January 2003 was £606 million and the schemes' actuarial values at their respective valuation dates were sufficient to cover between 96% and 115% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The valuation of the largest of the schemes, the Sears Retail Pension Scheme was undertaken by Watson Wyatt as at 5<sup>th</sup> April 2001. The market value of this Scheme's assets at that date was £449 million and the valuation disclosed that the Scheme's funding level was sufficient to cover 96% of members' benefits. The net pension charge for the year is £55,000 (2002- £59,000).

**FRS17 Retirement Benefits**

The valuation used for FRS17 disclosures has been based on the most recent valuation at 5<sup>th</sup> April 2001 and updated by Watson Wyatt to 31st January 2002. The financial assumptions used are shown below:

|   | 2003         | Ireland | 2002         |
|---|--------------|---------|--------------|
| Inflation                               | 2.3%         | 2.5%    | 2.5%         |
| Rate of increase in Salaries            | 4.3%         |         | 4.5%         |
| Rate of increase in pensions in payment | 2.3%         | 2.5%    | 2.5%         |
| Rate of increase in deferred pensioners | 2.3% or 5.0% | 2.5%    | 2.5% or 5.0% |
| Discount Rate                           | 5.1%         |         | 5.25%        |

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**6. EMPLOYEES & DIRECTORS (continued)**

The assets in the schemes and the expected rates of return at 31st January 2002 were:

|                              | Sears Retail Pension Scheme |       |      |       | Sears Ireland Pension Scheme |     |      |     | Sears Group Senior Executive Pension Scheme |       |      |       |
|------------------------------|-----------------------------|-------|------|-------|------------------------------|-----|------|-----|---|-------|------|-------|
|                              | 2003                        |       | 2002 |       | 2003                         |     | 2002 |     | 2003  |       | 2002 |       |
|                              | %                           | £m    | %    | £m    | %                            | £m  | %    | m   | %   | £m    | %    | £m    |
| Equities                     | -                           |       | -    |       | 8.0                          | 0.7 | 7.5  | 0.9 |   |       | -    | -     |
| Bonds                        | 4.6                         | 471.0 | 5.0  | 453.0 | 4.6                          | 2.1 | 5.0  | 1.9 |   |       | -    | -     |
| Cash and other assets        | 4.0                         | 12.0  | 5.6  | 7.0   | 4.0                          | 0.1 | 5.8  | 0.2 | 4.8   | 120.0 | 4.8  | 118.0 |
| Total market value of assets |                             | 483.0 |      | 460.0 |                              | 2.9 |      | 3.0 |   | 120.0 |      | 118.0 |

The trustee's of the Sears Group Senior Executive Pension Scheme have taken out an insurance policy with Legal and General in August 2001 to match the benefit provided from the scheme to the 297 inactive members. The policy has been included in the valuation of the scheme assets at the same value as the related liabilities (£113m). At the 31st January 2003 the scheme had 3 active members with sufficient assets to cover its liabilities.

The following amounts at 31st January 2003 were measured in accordance with the requirements of FRS17:

|                                       | 2003        | 2002       |
|---------------------------------------|-------------|------------|
|                                       | £m          | £m         |
| Total market value of Assets          | 605.9       | 581.0      |
| Present value of schemes' liabilities | (585.6)     | (572.5)    |
| Surplus in the schemes                | 20.3        | 8.5        |
| Irrecoverable surplus                 | (3.3)       | (3.5)      |
|                                       | 17.0        | 5.0        |
| Related deferred tax liability        | -           | -          |
| <b>Net Pension Asset</b>              | <b>17.0</b> | <b>5.0</b> |

Surpluses have been limited by the actuaries to the value of future contribution holidays assuming current employees are replaced as they leave pensionable service.

A related deferred tax liability has not been recognised because of an equivalent and unrecognised deferred tax asset that is expected to off set it

If the previous amounts had been recognised in the accounts, the groups net assets and profit and loss account reserve at 31st January 2003, would have been as follows:

|   | 2003         | 2002         |
|---|--------------|--------------|
|   | £m           | £m           |
| Net Assets                                | 412.9        | 567.6        |
| Pension Asset                             | 17.0         | 5.0          |
| <b>Net Assets including pension asset</b> | <b>429.9</b> | <b>572.6</b> |
| Profit and loss account reserve           | 10.3         | 154.0        |
| Pension reserve                           | 17.0         | 5.0          |
| <b>Profit and loss account reserve</b>    | <b>27.3</b>  | <b>159.0</b> |



**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**6. EMPLOYEES & DIRECTORS (continued)****FRS17 Retirement Benefits (continued)**

If the previous amounts had been recognised in the accounts, the effects would have been as follows:

|   | 2003         |
|---|--------------|
|   | £m           |
| <b>Operating profit charge</b>  |              |
| Current service cost  | 1.0          |
| Past service cost   | -            |
| <b>Total operating profit charge</b>  | <b>1.0</b>   |
| <br><b>Finance Income</b>   |              |
| Expected return on pension scheme assets  | 29.3         |
| Interest on pension scheme liabilities  | (30.1)       |
| <b>Net financial charge</b>   | <b>(0.8)</b> |
| <br><b>Amounts recognised in the statement of total recognised gains and losses (STRGL)</b> |              |
| Gain on Assets  | 13.7         |
| Experience gains arising on the scheme liabilities  | 2.9          |
| Loss on change of assumptions (financial and demographic)                                   | (3.0)        |
| <b>Actuarial gain recognised in the STRGL</b>   | <b>13.6</b>  |
| <br><b>Movement in surplus during the year</b>  |              |
| At 1st February 2002  | 8.5          |
| Current service cost  | (1.0)        |
| Contributions   | -            |
| Past service cost   | -            |
| Net financial charge  | (0.8)        |
| Actuarial gain  | 13.6         |
| <b>At 31st January 2003</b>   | <b>20.3</b>  |

**History of experience gains and losses**

|  | % of Scheme<br>Assets/<br>Liabilities | £m   |
|--|---------------------------------------|------|
| Difference between the expected and actual return on scheme assets | 2.3                                   | 13.7 |
| Experience gains and losses on scheme liabilities                  | 0.5                                   | 2.9  |
| Amount recognised in STRGL   | 2.8                                   | 16.6 |

Sears Limited and Subsidiary Undertakings

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**7. TANGIBLE FIXED ASSETS**

|                                 | Company           |          | Group                          |                    |                             |              |
|---------------------------------|-------------------|----------|--------------------------------|--------------------|-----------------------------|--------------|
|                                 | Long<br>leasehold | Freehold | Buildings<br>Long<br>leasehold | Short<br>leasehold | Fixtures<br>and<br>fittings | Total        |
|                                 | £m                | £m       | £m                             | £m                 | £m                          | £m           |
| <b>Cost or valuation</b>        |                   |          |                                |                    |                             |              |
| At 1st February 2002            | 1.7               | 2.0      | 38.1                           | 2.0                | 0.2                         | 42.3         |
| Tfrd to Investment Properties   | (1.7)             | -        | (34.6)                         | -                  | -                           | (34.6)       |
| Disposed of with subsidiary     | -                 | (2.0)    | (3.5)                          | (2.0)              | -                           | (7.5)        |
| <b>At 31st January 2003</b>     | <b>-</b>          | <b>-</b> | <b>-</b>                       | <b>-</b>           | <b>0.2</b>                  | <b>0.2</b>   |
| <b>Accumulated depreciation</b> |                   |          |                                |                    |                             |              |
| At 1st February 2002            | -                 | (0.1)    | (4.4)                          | (0.5)              | (0.2)                       | (5.2)        |
| Tfrd to Investment Properties   | -                 | -        | 4.2                            | -                  | -                           | 4.2          |
| Disposed of with subsidiary     | -                 | 0.1      | 0.2                            | 0.5                | -                           | 0.8          |
| <b>At 31st January 2003</b>     | <b>-</b>          | <b>-</b> | <b>-</b>                       | <b>-</b>           | <b>(0.2)</b>                | <b>(0.2)</b> |
| <b>Net book amount</b>          |                   |          |                                |                    |                             |              |
| <b>At 31st January 2003</b>     | <b>-</b>          | <b>-</b> | <b>-</b>                       | <b>-</b>           | <b>-</b>                    | <b>-</b>     |
| At 31st January 2002            | 1.7               | 1.9      | 33.7                           | 1.5                | -                           | 37.1         |

**Investment properties**

At the 1<sup>st</sup> February 2002 the long leasehold properties were reclassified as properties held for investment. The properties were valued by the directors at open market value. The directors consider the open market value of the properties to be reflected in their net book values at that date and were transferred to Investment properties at their net book values.

|  | 2003     | 2002        |
|--|----------|-------------|
|  | £m       | £m          |
| <b>On an historical cost basis, buildings would have been included at the following amounts:</b> |          |             |
| Cost   | -        | 44.6        |
| Accumulated depreciation   | -        | (5.5)       |
| <b>Net book amount</b>   | <b>-</b> | <b>39.1</b> |

**Buildings include the following in respect of assets held for use under operating leases:**

|                          |          |             |
|--------------------------|----------|-------------|
| Cost or Valuation        | -        | 42.1        |
| Accumulated depreciation | -        | (5.0)       |
| <b>Net book amount</b>   | <b>-</b> | <b>37.1</b> |

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2002**

**8. FIXED ASSET INVESTMENTS**

|                             | Company<br>Subsidiary<br>Undertakings<br>£m |
|-----------------------------|---|
| <b>Cost or valuation</b>    |   |
| At 1st February 2002        | 845.3                                       |
| Additions                   | 11.0  |
| Disposals                   | (55.9)                                      |
| Revaluation deficit         | (644.4)                                     |
| <b>At 31st January 2003</b> | <b>156.0</b>                                |

**Company - subsidiary undertakings**

The original cost to the Company of shares in subsidiary undertakings was £601.0 million (2002 - £751.3million).

The principal subsidiary undertakings and their activities are set out in note 18.

Additions reflect the acquisition of the minority interests in a subsidiary undertaking. Disposals include the liquidation of some of the company's subsidiary undertakings.

**9. DEBTORS**

|                                | Group        |              | Company      |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | 2003         | 2002         | 2003         | 2002         |
|                                | £m           | £m           | £m           | £m           |
| Due in less than one year:     |              |              |              |              |
| Trade debtors                  | -            | 0.4          | -            | -            |
| Parent undertaking             | 410.0        | 556.6        | 410.0        | 556.6        |
| Group undertakings             | -            | -            | -            | 11.2         |
| Other debtors                  | 0.1          | 0.2          | -            | 0.2          |
| Prepayments and accrued income | -            | 0.2          | -            | -            |
|                                | <b>410.1</b> | <b>557.4</b> | <b>410.0</b> | <b>568.0</b> |

**10. CASH AT BANK AND IN HAND**

Cash at bank and in hand includes deposits with banks and deposit-taking institutions.

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**11. CREDITORS**

|                                      | Group       |             | Company      |              |
|--------------------------------------|-------------|-------------|--------------|--------------|
|                                      | 2003        | 2002        | 2003         | 2002         |
|                                      | £m          | £m          | £m           | £m           |
| <b>Due in less than one year:</b>    |             |             |              |              |
| Trade creditors                      | -           | 2.9         | -            | -            |
| Group undertakings                   | -           | -           | 158.9        | 862.0        |
| Other creditors                      | 0.2         | 2.6         | -            | -            |
| Taxation on profits                  | -           | 0.4         | -            | 0.4          |
| Other taxes and social security      | 0.1         | 0.1         | -            | -            |
| Accruals and deferred income         | 2.0         | 0.2         | -            | 0.2          |
| Dividends accrued and proposed       | -           | 0.1         | -            | -            |
|                                      | <b>2.3</b>  | <b>6.3</b>  | <b>158.9</b> | <b>862.6</b> |
| <b>Due after more than one year:</b> |             |             |              |              |
| Loans and overdrafts (note 12)       | 27.0        | 17.0        | -            | -            |
|                                      | <b>27.0</b> | <b>17.0</b> | <b>-</b>     | <b>-</b>     |

**12. LOANS AND OVERDRAFTS**

|  | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| <b>Loans and overdrafts comprise the following:</b>          |             |             |
| Secured  |             |             |
| Bank loan secured on 360/366 Oxford Street London *          | 27.0        | 17.0        |
| Loans and overdrafts are scheduled for repayment as follows: |             |             |
| Within two to five years:                                    |             |             |
| Bank loan  | 27.0        | 17.0        |

\* The interest on the bank loan is variable and was 4.9714% at 31st January 2003 (5.033% at 31st January 2002).

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

|   | Retirement<br>benefits | Property<br>costs | Total      |
|---|------------------------|-------------------|------------|
|   | £m                     | £m                | £m         |
| <b>Group</b>                            |                        |                   |            |
| Balances at 1st February 2002           | 0.5                    | 7.2               | 7.7        |
| Provided in the year                    | 0.1                    | -                 | 0.1        |
| Disposed of with subsidiary undertaking | -                      | (7.2)             | (7.2)      |
| <b>Balances at 31st January 2003</b>    | <b>0.6</b>             | <b>-</b>          | <b>0.6</b> |

Retirement benefits principally comprise the estimated liability in respect of unfunded post retirement benefits.

**NOTES TO THE ACCOUNTS (continued)**  
**FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**14. SHARE CAPITAL**

The authorized share capital of the Company is £497.2million (2002 - £497.2million).

Details of the share capital issued and fully paid are set out below:

|                               | 2003        |       | 2002        |       |
|-------------------------------|-------------|-------|-------------|-------|
|                               | Shares      | £m    | Shares      | £m    |
| Ordinary shares of £2.50 each | 152,735,855 | 381.8 | 152,735,855 | 381.8 |

**15. RESERVES**

|   | Group       | Company     |
|---|-------------|-------------|
|   | Profit and  | Profit and  |
|   | loss        | loss        |
|   | £m          | £m          |
| Balance at 1st February 2002                        | 154.0       | 154.0       |
| Transferred to profit and loss account for the year | (142.8)     | (142.8)     |
| <b>Balance at 31st January 2003</b>                 | <b>11.2</b> | <b>11.2</b> |

**Company results**

Of the profit before ordinary dividends for the financial year, £3.8million (2002-£1.9million profit) has been dealt with in the books of the company. This includes dividends from subsidiary undertakings of £482.8million (2002 - £2.3 million),

**16. COMMITMENTS FOR CAPITAL EXPENDITURE**

Commitments for capital expenditure entered into by the Group and not provided for in these accounts amounted to £Nil (2002 -Nil).

**17. COMMITMENTS UNDER OPERATING LEASES**

The Group had annual commitments under non-cancellable operating leases relating to land and buildings expiring as follows:

|                          | 2003       | 2002        |
|--------------------------|------------|-------------|
|                          | £m         | £m          |
| Within one year          | 0          | 0.2         |
| Within two to five years | 0          | 2.2         |
| After five years         | 4.5        | 13.2        |
|                          | <b>4.5</b> | <b>15.6</b> |

**NOTES TO THE ACCOUNTS (continued)  
FOR THE YEAR ENDED 31<sup>st</sup> JANUARY 2003**

**18. PRINCIPAL SUBSIDIARY UNDERTAKINGS**

**Property**

Sears Property Developments Limited  
Avon House Limited

**Finance & Administration**

Broadstoner Holdings plc  
SH Services Limited

All the above companies are 100 % direct subsidiary undertakings and unless otherwise indicated are incorporated in Great Britain and registered in England. In each case the country of incorporation or registration is the principal country in which the subsidiary undertaking operates. The results and net assets of all subsidiary undertakings are included in the Group accounts.

A full list of subsidiary undertakings will be annexed to the next annual return to the Registrar of Companies.

Minority interests consist of external Preference shareholders in Broadstoner Holdings plc.

**19. ULTIMATE HOLDING COMPANY**

The directors regard the ultimate holding company as being January Corporation Limited incorporated in Jersey, ultimately controlled by Sir David Barclay and Sir Frederick Barclay.

As permitted by Financial Reporting Standard 8 "Related Party Disclosures", transaction with other entities within the Sears Limited group of companies are not disclosed.