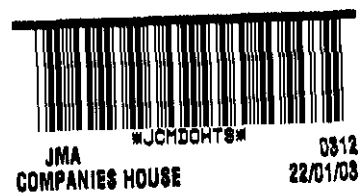


REALITY GROUP LIMITED

Registered no: 7 3 9 6 0 0

**Annual Report and Financial Statements
for the year ended 31 March 2002**



REALITY GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2002

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REALITY GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

During the year, the companies listed below have acted as agents carrying out business on behalf of the company and accordingly have not recorded any transactions in their own accounts.

White Arrow Express Limited
White Arrow Supplies and Services Limited

The principal activities of the company were warehouse and distribution services for both group and third party customers.

The loss for the year was £20,162,000 (2001: £449,682,000 loss).

DIRECTORS DURING THE YEAR

K.E. McCormick	Resigned 17 May 2002
M.E. Mason	
W. Howie	Resigned 19 April 2002
P.J.T. Gilbert	Resigned 31 May 2002
T. Capps	
C. Gorman	Resigned 19 January 2002
I. Grabiner	Resigned 2 December 2002
S. Johnson	Resigned 7 June 2002
D. Riley	Resigned 9 October 2002
M. Trees	Resigned 31 March 2002
R.J. Ashton	Appointed 21 January 2002
E.G. Brazil	Appointed 21 January 2002
T. Duddy	Appointed 21 January 2002
M.R. Sibbald	Appointed 21 January 2002
R.J. Wall	Appointed 21 January 2002

DIRECTORS' INTERESTS

No director had any beneficial interest in the shares of the Company. The interests of the directors, as defined by the Companies Act 1985, in the shares and share options of the ultimate parent company, GUS plc are as follows:

Director	Shares	
	At 31 March 2001 or date of appointment	At 31 March 2002
E Brazil	2,423	2,423
M Mason	3,237	4,514

No other directors had interests in the shares of the ultimate holding company.

REALITY GROUP LIMITED
DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

GUS Executive Share Option Scheme

Director	At 31 March 2001 or date of appointment	Options granted	At 31 March 2002	Price	Exercise Period
P Gilbert	14,650	-	14,650	£5.802	9 December 2001 - 8 December 2008
	13,329	-	13,329	£6.902	23 June 2002 - 22 June 2009
	26,617	-	26,617	£3.757	7 April 2003 - 6 April 2010
	-	26,929	26,929	£6.127	11 June 2004 - 10 June 2011
R Ashton	-	59,842	59,842	£6.127	11 June 2004 - 10 June 2011
E Brazil	43,918	-	43,918	£3.757	7 April 2003 - 6 April 2010
	-	57,124	57,124	£6.127	11 June 2004 - 10 June 2011
K McCormick	35,933	-	35,933	£3.757	7 April 2003 - 6 April 2010
	-	22,033	22,033	£6.127	11 June 2004 - 10 June 2011
M Mason	46,600	-	46,600	£3.757	7 April 2003 - 6 April 2010
	-	28,574	28,574	£6.127	11 June 2004 - 10 June 2011
W Howie	42,587	-	42,587	£3.757	7 April 2003 - 6 April 2010
	-	26,113	26,113	£6.127	11 June 2004 - 10 June 2011
T Capps	53,234	-	53,234	£3.757	7 April 2003 - 6 April 2010
	-	32,642	32,642	£6.127	11 June 2004 - 10 June 2011
I Grabiner	39,923	-	39,923	£5.260	6 December 2003 - 5 December 2010
	-	34,274	34,274	£6.127	11 June 2004 - 10 June 2011
S R Johnson	39,923	-	39,923	£5.260	6 December 2003 - 5 December 2010
	-	34,274	34,274	£6.127	11 June 2004 - 10 June 2011
D Riley	12,463	-	12,463	£3.757	7 April 2003 - 6 April 2010
	-	15,505	15,505	£6.127	11 June 2004 - 10 June 2011
M Sibbald	38,595	-	38,595	£3.757	7 April 2003 - 6 April 2010
	-	55,492	55,492	£6.127	11 June 2004 - 10 June 2011
R Wall	26,617	-	26,617	£3.757	7 April 2003 - 6 April 2010
	-	17,626	17,626	£6.127	11 June 2004 - 10 June 2011

No options were exercised or lapsed during the year apart from those relating to directors who resigned. Options may not be exercised unless, during a period of three consecutive financial years, Group earnings per share have increased by an average of at least 4% per annum more than the Retail Prices Index.

GUS Performance Share Plan

Director	Share Awards			
	At 31 March 2001 or date of appointment	Awards granted	Awards vested	At 31 March 2002
P Gilbert	15,970	13,464	-	29,434
R Ashton	-	-	-	-
E Brazil	35,134	14,281	-	49,415
K McCormick	28,746	11,016	-	39,762

REALITY GROUP LIMITED
DIRECTORS' REPORT (Continued)

GUS Performance Share Plan (continued)

Director	Share Awards			
	At 31 March 2001 or date of appointment	Awards granted	Awards vested	At 31 March 2002
M Mason	37,280	14,281	-	51,561
W Howie	34,070	13,056	-	47,126
T Capps	42,587	16,321	-	58,908
I Grabiner	-	17,137	-	17,137
S R Johnson	-	17,137	-	17,137
D Riley	-	7,752	-	7,752
M Sibbald	30,876	13,873	-	44,749
R Wall	-	-	-	-

An award under the GUS Performance Share plan takes the form of a deferred right to acquire shares at no extra cost to the participant. The shares awarded on 1 April 2000 become vested on 1 April 2004 at a price of £3.757. The shares awarded on 11 June 2001 become vested on 11 June 2004 at a price of £6.127. The vesting of these awards are subject to prescribed performance conditions.

Save As You Earn Share Option Schemes

Director	Share Options			
	At 31 March 2001 or date of appointment	Options granted	Options exercised	At 31 March 2002
E G Brazil	4,394	-	-	4,394
K McCormick	2,522	-	-	2,522
M Mason	2,522	-	-	2,522
W Howie	2,522	-	-	2,522
T Capps	2,522	-	-	2,522
I Grabiner	2,522	-	-	2,522
D Riley	2,522	-	-	2,522
R Wall	2,363	-	-	2,363

The grant date of the SAYE scheme was 9 February 2001. The options can be exercised for the three-year scheme between 2 May 2004 and 1 November 2004. The options can be exercised for the five-year scheme between 2 May 2006 and 1 November 2006. The exercise price for both schemes is 384 pence per share.

Unsecured Loans

The directors' disclosable interests in the Floating Rate Guaranteed Unsecured Loan Notes 2005 and 2006 issued by Reality Holdings Limited at 31 March 2002 were as follows:

Director	Amount
I Grabiner	£6,830,033

None of the other directors who held office at the year-end had any interests in GUS plc except T Duddy who is also a director of GUS plc, and whose interests are shown in that company's financial statements.

CHARITABLE DONATIONS

During the year the company made donations to United Kingdom charitable organisations amounting to £11,900 (2001: £2,710).

REALITY GROUP LIMITED
DIRECTORS' REPORT (Continued)

EMPLOYEE INVOLVEMENT

The company has a long tradition of close contact, negotiation and consultation with its employees including communicating information regarding the financial and economic performance of the company. The main methods by which this process is conducted are briefing groups, consultative committees, joint productivity committees, offsite seminars and various standing and ad hoc committees. The company recognises and has sole negotiating rights agreements with USDAW, SATA, TGWU, ACTS, GPMU and AEEU. In addition, the company discharges, equitably, its statutory and social duties in respect of the employment of disabled persons and also operates an equal opportunities policy. For those employees becoming disabled, during the course of their employment, every effort is made, whether through retraining or redeployment, to provide an opportunity for them to remain within the group.

The company operates a staff share save scheme for all employees of the company, enabling staff to purchase shares in GUS plc, encouraging employee involvement in the future performance of the company.

CREDITOR PAYMENT POLICY

The company's policy is to pay its suppliers in accordance with agreed terms. At the balance sheet date, the amount due to trade creditors by the company represented 12.5 days of purchases during the year (2001 - 27 days).

DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year that 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 of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2002. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

There are no material uncertainties, which the Board is aware of, that cause them to doubt the ability of the entity to continue as a going concern.

ELECTIVE RESOLUTIONS

The company has passed elective resolutions to dispense with the holding of annual general meetings and with the laying of the annual reports and financial statements before the company in general meetings, until such time as they are revoked.

AUDITORS

The company has passed an elective resolution dispensing with the requirement to re-appoint auditors annually. PricewaterhouseCoopers therefore continue in office.

BY ORDER OF THE BOARD



C J Holmes
Secretary

Date 9 January 2003

REPORT OF THE AUDITORS TO THE MEMBERS
OF REALITY GROUP LIMITED

We have audited the financial statements on pages 7 to 26.

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 on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members 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 any responsibility for any other purpose or to any other person to whom this report is shown or in to 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.

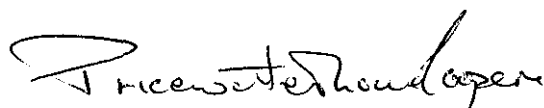
BASIS OF OPINION

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 the company's affairs at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester

Date *14 June 2003*

REALITY GROUP LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2002

	Notes	2002 £000	2001 £000 (Restated)
TURNOVER			
- continuing operations		464,693	467,902
- discontinued operations		-	1,012,377
	2	<u>464,693</u>	<u>1,480,279</u>
Cost of sales		0	(1,041,210)
GROSS PROFIT		<u>464,693</u>	<u>439,069</u>
Net operating expenses	3,4	(466,669)	(446,804)
OPERATING (LOSS)/PROFIT			
- continuing operations	3	(1,976)	4,065
- discontinued operations	3	-	(11,800)
		<u>(1,976)</u>	<u>(7,735)</u>
Profit on sale of fixed assets on discontinued operations	5	-	12,527
Re-organisation costs	5	(25,596)	(21,139)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>(27,572)</u>	<u>(16,347)</u>
Income from shares in group undertakings	6	-	303,330
Interest receivable and similar income	7	803	24,986
Interest payable and similar charges	8	(280)	(1,491)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	10	<u>(27,049)</u>	<u>310,478</u>
Taxation	11	6,887	(5,160)
(LOSS)/PROFIT FOR FINANCIAL YEAR		<u>(20,162)</u>	<u>305,318</u>
Dividends (includes dividends on non equity shares)	12	-	(755,000)
LOSS FOR THE YEAR	22	<u><u>(20,162)</u></u>	<u><u>(449,682)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no other recognised gains and losses in the year other than those included in the profit and loss account above.

REALITY GROUP LIMITED**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

For the year ended 31 March 2002

	2002	2001
	£000	£000
		(Restated)
Reported profit/(loss) on ordinary activities before taxation	(27,049)	310,478
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	92	80
Historical cost profit on ordinary activities before taxation	<u>(26,957)</u>	<u>310,558</u>
Historical cost profit for the year retained after taxation and dividends.	<u>(20,162)</u>	<u>(449,682)</u>

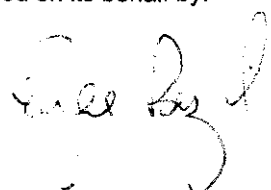
REALITY GROUP LIMITED**BALANCE SHEET**

At 31 March 2002

	Notes	2002 £000	2001 £000 (Restated)
FIXED ASSETS			
Tangible assets	13	116,449	122,019
Investments	14	485	485
		<u>116,934</u>	<u>122,504</u>
CURRENT ASSETS			
Stock		858	1,268
Debtors	15	165,340	920,926
Cash at bank and in hand		106	168
		<u>166,304</u>	<u>922,362</u>
CURRENT LIABILITIES			
Creditors - amounts falling due within one year	17	65,810	796,670
		<u>100,494</u>	<u>125,692</u>
NET CURRENT ASSETS			
		<u>217,428</u>	<u>248,196</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	25	-
PROVISIONS FOR LIABILITIES AND CHARGES	19	16,663	27,265
DEFERRED INCOME	20	1,160	1,189
		<u>199,580</u>	<u>219,742</u>
CAPITAL AND RESERVES			
Called up share capital	21	146,506	146,506
Share premium account	22	31,560	31,560
Revaluation reserve	22	6,086	6,086
Other reserves	22	1	1
Profit and loss account	22	15,427	35,589
		<u>199,580</u>	<u>219,742</u>
Equity shareholders funds (including non-equity interests)			
		<u>199,580</u>	<u>219,742</u>
Equity interests		199,580	217,123
Non-equity interests		-	4
		<u>199,580</u>	<u>219,742</u>

The accounts on pages 7 to 26 were approved by the Board of Directors on 9 January 2003 and were signed on its behalf by: -

E G Brazil
Director



REALITY GROUP LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 March 2002

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently except as noted, is set out below.

a) Basis of accounting

The accounts are drawn up on the historical cost basis of accounting, modified by the revaluation of certain fixed assets, in accordance with applicable accounting standards in the U.K.

Compliance with SSAP 19 'Accounting for Investment Properties' requires departure from the requirements of the Companies Act, 1985 relating to depreciation, an explanation of which is given in note (c) below.

b) Adoption of new accounting standards

In November and December 2000 the Accounting Standards Board issued FRS 17 'Retirement Benefits', FRS 18 'Accounting Policies' and FRS 19 'Deferred Taxation'.

The disclosures requirement under FRS 17 'Retirement Benefits' are given in note 26 to the accounts. FRS 18 'Accounting Policies' has been adopted which requires a full review of all the Group's accounting policies and estimation techniques. The policies and estimation techniques used in the prior year's accounts are still considered to be the 'most appropriate' and hence no adjustments arise on adoption.

FRS 19 'Deferred Taxation' has been adopted which requires the Group's deferred tax asset or liability to be provided for in full, whereas previously deferred tax assets and liabilities have been provided for using the partial provision method.

The effect of the change in accounting policy to adopt FRS19 was to increase tax on profit on ordinary activities by £nil (2001: £4,170,000) and to decrease profit for the financial year by the same amount.

c) Tangible fixed assets and depreciation

Following the implementation of FRS 15 "Tangible fixed assets", the company has adopted a policy of not revaluing properties. Under the transitional provisions of FRS 15, previously revalued properties are included at their valuation at 31 March 1996 less depreciation, with the exception of certain Home Shopping specialist warehouses which remain at cost.

Assets under construction are not depreciated until fully commissioned.

Depreciation is calculated so as to write-off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land and buildings	principally 50 years or over the remaining period of the lease
Plant and machinery	20% per annum straight line
Fixtures and fittings	10% per annum straight line
Office equipment	20% - 33% per annum straight line
Computer equipment	20% - 40% per annum straight line
Motor Vehicles except Vans	20% per annum straight line
Vans	25% per annum reducing balance
Equipment on hire or lease	over the primary period of the lease

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

c) Tangible fixed assets and depreciation (continued)

The method of calculating the depreciation charge on vans was changed in the year from 20% per annum straight line to 25% per annum reducing balance. The affect of the change on a prospective basis is to reduce the annual depreciation charge by £1.4m.

No depreciation is provided in respect of investment properties, in accordance with SSAP 19. Investment properties have been included in the accounts at valuation carried out by independent professional advisers, Colliers Erdman Lewis, Chartered Surveyors, at 31 March 2000. The requirement of the Companies Act, 1985 is to depreciate all properties but that requirement conflicts with the generally accepted principle set out in SSAP 19. The directors consider that to depreciate such properties would not give a true and fair view, but that a true and fair view is given by following SSAP 19 as described above. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. The amount of depreciation that would have been charged is not material.

d) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Assets held under finance lease agreements are capitalised and disclosed under tangible fixed assets at their fair value and are depreciated over the shorter of the lease term or useful life. The capital element of future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

e) Stocks

Consumable stock is held at the lower of cost and net realisable value.

f) Deferred tax

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future.

An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted.

g) Turnover

Turnover represents goods and services sold to customers, less returns and sales taxes, and earned finance income.

NOTES TO THE ACCOUNTS (Continued)

1 ACCOUNTING POLICIES (Continued)

h) Pensions and post retirement benefits

The company provides pension benefits to eligible employees through membership of a defined benefit pension plan operated by its ultimate parent undertaking and separate schemes for individual employees who are not members of the Group defined benefit plan. The plan has rules which specify the benefits to be paid and is financed accordingly with assets being held in independently administered funds. The cost of providing pension benefits is charged to the profit and loss account over the anticipated period of employment in accordance with recommendations made by qualified actuaries.

The Group also runs a defined contribution scheme in the United Kingdom with assets held in an independently administered fund. The cost of providing pension benefits recognised in the profit and loss account comprises the amount of contributions payable to the pension scheme in respect of the accounting period.

i) Cash flow statement

The company is a wholly owned subsidiary of GUS plc, and the cash flows of the company are included in the Consolidated Cash Flow Statement of GUS plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

j) Grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets' useful life.

k) Accounting for subsidiary and associated undertakings

In accordance with section 228 (2) of the Companies Act 1985, group financial statements are not prepared. Investments in subsidiary and associated undertakings are shown at cost, less a provision to reflect any impairment in the value of the investment.

Investments in group undertakings are stated at cost. Where investments are acquired through group reconstructions, by means of a share for share exchange, the company takes advantage of the relief afforded under section 132 of the Companies Act 1985 and consequently has calculated a minimum share premium in respect of shares issued.

l) Foreign currency transactions

Transactions denominated in foreign currency are expressed in sterling at the exchange rate ruling at the transaction date. Realised gains or losses arising during the year are dealt with in the profit and loss account. Assets and liabilities, which are to be settled in foreign currencies, are translated into sterling at the rate of exchange ruling at the balance sheet date.

m) Goodwill

For acquisitions made up to 31 March 1998 goodwill was written off to reserves in the year of acquisition. The company is a wholly owned subsidiary of GUS plc., and the cash flows of the company are included in the Consolidated Cash Flow Statement of GUS plc. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

NOTES TO THE ACCOUNTS (Continued)

	2002	2001
	£000	£000
2 a) TURNOVER - GEOGRAPHICAL ANALYSIS	2002	2001
	£000	£000
U.K.	464,693	1,475,551
Europe	-	3,888
Others	-	840
	<u>464,693</u>	<u>1,480,279</u>

On 25 November 2000 the company sold its catalogue home shopping business to a fellow subsidiary. As such the geographical turnover, for the prior year, only includes turnover up to 25 November 2000 for that business.

2 b) TURNOVER - DIVISIONAL ANALYSIS

Catalogue home shopping and allied services	-	1,012,377
Third party fulfilment services	464,693	467,902
	<u>464,693</u>	<u>1,480,279</u>

2 c) (LOSS)/PROFIT BEFORE INTEREST, TAX AND EXCEPTIONAL ITEMS

Catalogue home shopping and allied services	-	4,065
Third party fulfilment services	(1,976)	(11,800)
	<u>(1,976)</u>	<u>(7,735)</u>

2 d) NET ASSETS

All net assets are used for third party fulfillment.

3 TURNOVER AND OPERATING PROFIT/(LOSS)

Turnover		
- continuing operations	464,693	467,902
- discontinued operations	-	1,012,377
	<u>464,693</u>	<u>1,480,279</u>
Operating (loss)/profit		
- continuing operations	(1,976)	4,065
- discontinued operations	-	(11,800)
	<u>(1,976)</u>	<u>(7,735)</u>

REALITY GROUP LIMITED**NOTES TO THE ACCOUNTS (Continued)**

	2002	2001
	£000	£000
4 NET OPERATING EXPENSES		
Distribution costs		
Administrative expenses	74,682	184,292
Other operating income	393,520	263,587
	(1,533)	(1,075)
5 EXCEPTIONAL ITEMS	466,669	446,804

Re-organisation costs

During 2001 the GUS group of companies began a re-organisation process to re-align the businesses of the Argos group and the GUS Home Shopping companies, creating the Argos Retail Group and the Reality business. The redundancy and other costs associated with this re-structuring process for the Reality Group businesses have all been recognised in the accounts of Reality Group Limited during the year ended 31 March 2001 and 31 March 2002.

	2002	2001
	£000	£000
6 INCOME FROM SHARES IN GROUP UNDERTAKINGS		
Dividends	-	303,330
7 INTEREST RECEIVABLE		
Group undertakings	788	20,787
Exceptional	-	3,255
Other	15	944
	803	24,986
8 INTEREST PAYABLE AND SIMILAR CHARGES		
Group undertakings	-	1,491
Other	280	-
	280	1,491

NOTES TO THE ACCOUNTS (Continued)

9 DIRECTORS AND EMPLOYEES

The average number of persons (including directors) employed by the company during the year was made up as follows:

	2002 Number	2001 Number
Distribution and administration		
- Full time	10,501	9,436
- Part time	6,004	7,525

	2002 £000	2001 £000
The total cost was as follows:		
Wages and salaries	222,447	253,173
Social security costs	18,427	19,162
Other pension costs	8,162	9,760
	249,036	282,095

Directors' emoluments		
Paid to the directors of the company	2,313	1,302

Retirement benefits are accruing to six directors (2001: 6) under a defined benefit scheme and to none (2001 none) under a defined contribution scheme. In respect of directors' emoluments the company paid £nil (2001 £nil) into the company's defined contribution scheme.

Highest paid director:		
Aggregate emoluments	475	207

Defined benefit pension scheme:		
Accrued pension at end of year	20	6

REALITY GROUP LIMITED

NOTES TO THE ACCOUNTS (Continued)

10 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2002	2001
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated after charging:		(Restated)
Operating leases - plant and machinery	2,911	330
- vehicles	1,681	1,061
- land and buildings	1,752	3,152
Depreciation on owned assets	20,440	24,639
Auditors' remuneration:		
Audit	75	171
Non audit services	460	2,080

11 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in period

Current tax:

UK corporation tax on profits of the period	(7,114)	455
Adjustments in respect of previous periods	1,462	348
Total current tax	(5,652)	803

Deferred tax:

Origination and reversal of timing differences	227	(330)
Adjustments in respect of previous periods	(1,462)	4,687
Total deferred tax	(1,235)	4,357
Tax on profit on ordinary activities	(6,887)	5,160

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

Loss on ordinary activities before tax	(27,049)	310,478
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(8,115)	93,143

Effects of:

Dividends received from UK subsidiaries	-	(90,999)
Expenses not deductible for tax purposes	1,226	1,808
Profit on business disposals not chargeable to tax	-	(3,757)
Other timing differences	(225)	260
Adjustments to tax in respect of previous periods	1,462	348
Total current tax	(5,652)	803

12 DIVIDENDS

Proposed final dividend on preference and ordinary shares

- Nil (2001: £5.15) on each ordinary share	-	(755,000)
	-	(755,000)

NOTES TO THE ACCOUNTS (Continued)

13 TANGIBLE FIXED ASSETS

	Total properties £000	Motor vehicles £000	Fixtures, fittings and equipment £000	Total £000
COST OR VALUATION				
At 1 April 2001	82,485	44,529	138,516	265,530
Transfers	956	-	(956)	-
Transfer to other group undertakings	-	-	2,662	2,662
Additions	60	101	15,795	15,956
Disposals	(329)	(6,842)	(4,690)	(11,861)
At 31 March 2002	83,172	37,788	151,327	272,287
DEPRECIATION				
At 1 April 2001	15,831	28,504	99,176	143,511
Transfers	79	-	(79)	-
Transfer to other group undertakings	-	-	1,713	1,713
Provided for the year	1,379	4,795	13,996	20,170
Elimination on disposal	(21)	(6,569)	(2,966)	(9,556)
At 31 March 2002	17,268	26,730	111,840	155,838
NET BOOK VALUE				
At 31 March 2002	65,904	11,058	39,487	116,449
At 1 April 2001	66,654	16,025	39,340	122,019

Total properties are further analysed on the following page.

NOTES TO THE ACCOUNTS (Continued)

13 TANGIBLE FIXED ASSETS (Continued)

	Freehold properties £000	Investment properties £000	Leasehold Properties		Total properties £000
			Long lease £000	Short lease £000	
COST OR VALUATION					
At 1 April 2001	74,622	33	7,745	85	82,485
Transfers	956	-	-	-	956
Additions	-	-	-	60	60
Disposals	(329)	-	-	-	(329)
At 31 March 2002	75,249	33	7,745	145	83,172
Cost		-	5,863	145	6,008
1996 valuation	8,952	-	1,882	-	10,834
2000 valuation	-	33	-	-	33
	75,249	33	7,745	145	16,875
DEPRECIATION					
At 1 April 2001	14,851	-	917	63	15,831
Transfers	79	-	-	-	79
Provided for the year	1,246	-	130	3	1,379
Disposals	(21)	-	-	-	(21)
At 31 March 2002	16,155	-	1,047	66	17,268
NET BOOK VALUE					
At 31 March 2002	59,094	33	6,698	79	65,904
At 1 April 2001	59,771	33	6,828	22	66,654

Following the implementation of FRS 15 "Tangible fixed assets", the company has adopted a policy of not revaluing properties. Under the transitional provisions of FRS 15, previously revalued properties are included at their valuation at 31 March 1996 less depreciation, with the exception of certain Home Shopping specialist warehouses, which remain at cost.

The professional valuation of certain properties at open market value on 31 March 1996 and investment properties on 31 March 2000 was carried out by Colliers Erdman Lewis, Chartered Surveyors.

Assets held under finance leases:

	2002 £000	2001 £000
Cost	1,989	-
Accumulated Depreciation	1,443	-
Net book value	546	-

NOTES TO THE ACCOUNTS (Continued)**13 TANGIBLE FIXED ASSETS (Continued)**

If properties had not been revalued they would have been included at the following amounts:

	Freehold	Investment properties	Long leasehold properties
	£000	£000	£000
Cost	5,277	33	768
Accumulated depreciation	(1,343)	-	(393)
	3,934	33	375

14 INVESTMENTS

At 31 March 2002, the company had the following subsidiaries:

	Proportion of voting rights held by parent	Class of shares	Nature of business
Reality Holdings Limited	100%	Ordinary	Internet business
Reality Solutions (UK) Holdings * +	100%	Ordinary	Internet business
Reality Solutions UK Limited +	100%	Ordinary	Internet business
Reality Ventures Limited +	100%	Ordinary	Investment business
Reality Business Holdings Limited * +	100%	Ordinary	Internet business
The Bizbox.com Limited * +	100%	Ordinary	Non trading
White Arrow Express Limited	100%	Ordinary	Transport
White Arrow Leasing Limited *	100%	Ordinary	Vehicle leasing
Edward O'Brien Limited	100%	Ordinary	Dormant
Sleepyrest Limited *	100%	Ordinary	Dormant
G.U.S. Travel Limited	100%	Ordinary	Travel agent
White Arrow Supplies & Services Limited	100%	Ordinary	Wholesaler
Marshall Ward Limited	100%	Ordinary	Dormant
Innovations Group Limited	100%	Ordinary	Dormant
Innovations (Mail Order) Limited	100%	Ordinary	Dormant
Shoppers Universe Limited (formerly G.U.S. Home Services Limited)	100%	Ordinary	Dormant

NOTES TO THE ACCOUNTS (Continued)

14 INVESTMENTS (Continued)

The companies marked * are owned by intermediate holding companies, which are in turn wholly owned by the company.

All are incorporated in Great Britain and registered in England and Wales with the exception of those marked +, which are registered in Scotland.

Associates

White Arrow Express Limited has an interest in the investment in TNT White Arrow Express Limited.

Group accounts have not been prepared as the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain and registered in England and Wales.

	Subsidiary companies £000
Net book value at 31 March 2002 and 31 March 2001	485

15 DEBTORS	2002 £000	2001 £000 (Restated)
Amounts falling due within one year:		
Trade debtors	10,372	15,222
Amounts owed by parent and group undertakings	134,681	898,023
Taxation	3,753	-
Deferred tax (see note 19)	2,095	2,970
Other debtors	14,439	4,711
	165,340	920,926

REALITY GROUP LIMITED**NOTES TO THE ACCOUNTS (Continued)**

	2002	2001
	£000	£000
16 CASH AT BANK AND IN HAND		
Cash at bank	106	168
Cash in hand	-	-
	106	168
17 CREDITORS		
Amounts falling due within one year:		
Bank overdraft	11	-
Trade creditors	7,609	-
Amounts owed to parent and group undertakings	8,549	7,986
Finance Lease Creditor	151	-
Corporation tax	-	1,376
Other taxes and social security payable	5,474	-
Other creditors	372	4,491
Accruals	43,644	27,817
Dividends payable	-	755,000
	65,810	796,670
18 CREDITORS		
Amounts falling due within one year:		
Finance Lease Creditor	25	-
19 PROVISIONS FOR LIABILITIES AND CHARGES		
		Pension
		£000
At 1 April 2001		27,265
Transferred to a group undertaking		(10,274)
Decrease in year		(328)
Balance as at 31 March 2002		16,663

NOTES TO THE ACCOUNTS (Continued)

19 PROVISIONS FOR LIABILITIES AND CHARGES (Continued)

Pension

The pension provisions of £16,663,000 (2001: £27,265,000) relate to both pension plans operated by the company's holding company, and to other pension and ex gratia liabilities.

The company's pension costs are accounted for on an accruals basis. An actuarial valuation of the fund was last carried out at 31 March 2001 and further details are included within the accounts on note 26 on pensions, and accounting policy note 1h. The plan's actuaries have advised that the actuarial assumptions used in the valuation are conservative and that the plan remains well funded.

The total amount provided for deferred taxation is as follows:

	2002 Total amount provided £000	2001 Total amount provided (Restated) £000
Excess of tax allowances over depreciation	6,364	6,553
Short term timing differences	(8,459)	(9,523)
Chargeable gains	-	-
	<u>(2,095)</u>	<u>(2,970)</u>
	2002 £000	2001 £000 (Restated)
Deferred tax provided		
Debtor brought forward at 1 April 2001	2,970	7,327
Transfers to group undertakings	(2,110)	-
Profit and loss charge for the year	1,235	(4,357)
Debtor carried forward as at 31 March 2002	<u>2,095</u>	<u>2,970</u>

NOTES TO THE ACCOUNTS (Continued)

	2002 £000	2001 £000
20 DEFERRED INCOME		
Balance at 1 April 2001	1,189	1,218
Charge to profit and loss account	(29)	(29)
Balance at 31 March 2002	<u><u>1,160</u></u>	<u><u>1,189</u></u>

A grant of £1,445,000 was received in 1992/93 from Trafford Park Development Corporation, following the compulsory purchase of the White Arrow parcel distribution depot in Manchester. The grant is being amortised over 50 years.

	2002 £	2000 £
21 SHARE CAPITAL		
Authorised :		
4,000 4.2% cumulative preference shares @ £1	4,000	4,000
500 4.2% redeemable cumulative participating second preference shares @ £1	500	500
499,995,500 ordinary shares @ £1	499,995,500	499,995,500
	<u><u>500,000,000</u></u>	<u><u>500,000,000</u></u>
Allotted, called-up and fully paid :		
4,000 4.2% cumulative preference shares @ £1	4,000	4,000
146,502,011 ordinary shares @ £1	146,502,011	146,502,011
	<u><u>146,506,011</u></u>	<u><u>146,506,011</u></u>

Preference dividends are payable in arrears on 30 September at a rate of 4.2% per annum. The preference shares carry no votes at meetings unless the dividend is six months or more in arrears or the meeting include consideration of a resolution to wind up the company or to directly vary the rights attached to the preference shares. Preference shares have no rights to the profits of the company other than the cumulative 4.2% dividend. On a return of capital on a winding up, the holders of the cumulative preference shares are entitled to £1 per share in priority to holders of ordinary shares.

NOTES TO THE ACCOUNTS (Continued)

22 RESERVES

	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Balance at 1 April 2001	31,560	6,086	1	35,589
Loss for the year	-	-	-	(20,162)
Write back of goodwill	-	-	-	-
Balance at 31 March 2002	31,560	6,086	1	15,427

23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	2002 £000	2001 £000 (Restated)
Loss for the financial year	(20,162)	305,318
Dividends	-	(755,000)
Write back of goodwill	-	19,771
Net addition to shareholders' funds	(20,162)	(429,911)
Opening shareholders' funds	219,742	649,653
Closing shareholders' funds	199,580	219,742

24 CAPITAL COMMITMENTS

Contracted for but not provided in the accounts	5,433	1,627
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NOTES TO THE ACCOUNTS (Continued)
25 OPERATING LEASE COMMITMENTS

The company at 31 March 2002 had annual commitments under non-cancellable operating leases expiring as follows:

	2002		2001	
	Land & buildings	Others	Land & buildings	Others
	£000	£000	£000	£000
Expiring within one year	121	15	-	1,073
Expiring between two and five years	1,016	4,377	-	891
Expiring in over five years	1,884	1,702	-	-
	<u>3,021</u>	<u>6,094</u>	<u>-</u>	<u>1,964</u>

26 PENSION COSTS AND POST RETIREMENT BENEFITS

Reality Group Limited participates in the multi-employer defined benefit pension scheme and a defined contribution pension scheme both operated by GUS plc, (the Company). Reality Group Limited is in practice unable to identify its share of the underlying assets and liabilities in the GUS plc defined benefit scheme on a consistent and reasonable basis and will be treating the scheme as a defined contribution scheme.

The cost of the contributions to the group schemes within these accounts, amount to £8,669,000 (2001: £9,760,000). The pension accrual is £1,056,000 (2001: £Nil) and relates to both pension schemes operated by GUS plc, and to other pension and ex-gratia liabilities.

The cost of the contributions to the defined benefit scheme for the year amounted to £3,085,000

The cost of the contributions to the defined contribution scheme for the year amounted to £5,076,000. It has been agreed with the trustees that an additional contribution in respect of the executive members benefit and a special contribution to the scheme of £13m will be made; payable by 30 April 2002. It is expected that Reality Group Limited's contribution towards this special contribution will be £3,241,977.

The GUS plc Defined Benefit Scheme

The Scheme has rules which specify the benefits to be paid and is financed accordingly with assets being held in independently administered funds. A full actuarial valuation of the Scheme is carried out every three years with interim reviews in the intervening years.

The latest full actuarial valuation of the Scheme was carried out as at 31 March 2001 by independent, qualified actuaries, Mercer Human Resource Consulting Limited, using the projected unit method.

NOTES TO THE ACCOUNTS (Continued)**26 PENSION COSTS AND POST RETIREMENT BENEFITS (Continued)**

The principal actuarial assumptions used for SSAP 24 purposes were as follows:

Valuation rate of interest

Pre-retirement	6.0% per annum
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Post-retirement	6.0% per annum
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Rate of future earnings growth	4.3% per annum
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Pension increases	2.5% per annum
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At the valuation date, the market value of the Scheme's assets was £327.2m. On the above assumptions, this represented 100% of the value of benefits that had accrued to members. Since that date, and during the year under review the Company made a special contribution to the Scheme of £8.0m in order to fund a shortfall disclosed by the valuation on the ongoing actuarial assumptions used for funding purposes.

The GUS Defined Contribution Scheme

The Scheme was introduced during the year ended 31 March 1999 with the aim of providing pension benefits to those Group employees in the United Kingdom who, hitherto, had been ineligible for pension scheme membership. The assets of the Scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £7.7m (2001 £6.5m). Contributions totalling £0.7m (2001 £0.6m) were payable to the fund at 31 March 2002 and are included within GUS plc's creditors.

Further FRS 17 disclosure relating to the pension schemes operated by GUS plc are provided in the consolidated accounts for that undertaking and are available from its registered office at Universal House, Devonshire Street North, Manchester, M60 6EL.

27 RELATED PARTY TRANSACTIONS AND BALANCES (FRS 8)

Transactions between the company and its joint venture and associated undertakings during the year were as follows :

The company made sales of £ Nil (2001: £Nil) on normal trading terms to TNT White Arrow Express Limited, with respect to its distribution joint venture. As at 31 March 2002 the company had a debtor balance relating to dividends receivable with TNT White Arrow Express Limited of £Nil (2001 £130,000).

The company has taken advantage of the exemption allowed by FRS 8 not to disclose transactions with related company undertakings, 90% or more of whose voting rights are controlled within the group.

28 ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is GUS plc, a company registered in England and Wales. The consolidated accounts for the ultimate parent undertaking are available from its registered office at Universal House, Devonshire Street, Manchester, M60 6EL.