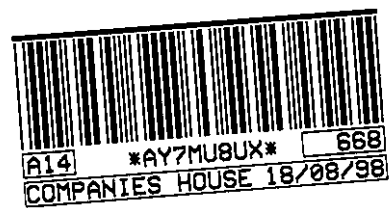


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DOWNLAND DEBT RECOVERY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
52 WEEKS ENDED 31 JANUARY 1998



Downland Debt Recovery Limited
(Registered Number 1192575)

Report of the Directors

for the 52 weeks ended 31 January 1998

The directors submit their report and financial statements for the 52 weeks ended 31 January 1998.

1. ***Directors*** J J Pearmund
 I C Percival

2. ***Directors' interests***

The directors of the Company are shown above. During the year, liability insurance was maintained for the Company's directors and officers.

Mr J J Pearmund, and Mr I Percival are directors of the immediate parent Company and their interests are shown in the report of that Company.

3. ***Principal activities***

The Company is engaged in the collection of debts owed originally to the immediate parent Company, Freemans PLC, and other undertakings of Sears plc.

4. ***Results and dividends***

The full results of the company's operations are set out on page 4. No dividend is proposed. The profit for the year has been transferred to reserves as shown in note 8 to the financial statements.

5. ***Business Review and Prospects***

The Company traded satisfactorily during the year in a tough economic climate. It is anticipated that the Company will continue to operate satisfactorily in the coming year.

6. ***Supplier Payments***

It is the policy of the Company to pay its suppliers without undue delay once receipt of the supply or service has been confirmed.

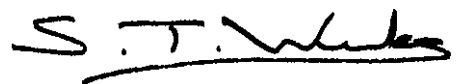
7. ***Auditors***

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

Following the merger of Price Waterhouse with Coopers & Lybrand, the directors intend that in due course the new firm, PricewaterhouseCoopers, will succeed to the audit appointment.

9 July 1998

by order of the board
S T Weeks, Secretary



Downland Debt Recovery Limited

Directors' Responsibility Statement

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 4 to 9, the Company has 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 keeps 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 are required to prepare financial statements on a going concern basis unless it is not appropriate to assume that the Company will continue in business.

Auditors' Report to the members of Downland Debt Recovery Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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 the Company's affairs as at 31 January 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



***Price Waterhouse
Chartered Accountants
and Registered Auditors***

***Southwark Towers
32 London Bridge Street
London SE1 9SY***

9 July 1998

Downland Debt Recovery Limited

Profit and loss account

52 weeks ended 31 January 1998

	Notes	1998 £000s	1997 £000s
Turnover	1 (b)	10,930	9,965
Cost of sales		(9,167)	(8,308)
Gross profit		1,763	1,657
Debt collection costs		(928)	(1,130)
Administrative expenses		(133)	(119)
Profit on ordinary activities before taxation	2	702	408
Taxation on profit on ordinary activities	3	(216)	(136)
Profit retained for the year	8	486	272

The Company has no recognised gains or losses other than those included in the profit above and therefore no separate statement of recognised gains and losses has been prepared.

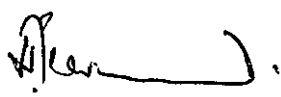
Downland Debt Recovery Limited

Balance sheet

31 January 1998

	Notes	1998 £000s	1997 £000s
Fixed Assets			
Tangible assets	4	138	1
Current assets			
Stock of debts	1 (c)	4,409	3,780
Prepayments		222	128
Cash at bank and in hand		128	94
		4,759	4,002
Creditors: amounts falling due within one year			
Accruals		177	22
Current account with parent company		2,024	1,851
Taxation on profits		210	136
		2,411	2,009
Net current assets			
		2,348	1,993
Total assets less current liabilities		2,486	1,994
Creditors: amounts falling due after more than one year			
Deferred tax	6	6	-
Net assets			
		2,480	1,994
Capital and reserves			
Called up share capital	5	10	10
Profit and loss account	8	2,470	1,984
Shareholders funds/equity interest			
		2,480	1,994

The accounts were approved by the Board on 9 July 1998



J J Pearmund, Director

Downland Debt Recovery Limited

52 weeks to 31 January 1998

Note of historical cost profits and losses

There were no unrealised gains or losses, or adjustments for revalued assets during the financial year.

	1998 £000s	1997 £000s
<i>Reconciliation of movements in shareholders' funds</i>		
Profit for the financial period	486	272
Increase in shareholders' funds	<u>486</u>	<u>272</u>
Shareholders' funds at 1 February 1997	1,994	1,722
<i>Shareholders' funds at 31 January 1998</i>	<u><u>2,480</u></u>	<u><u>1,994</u></u>

Downland Debt Recovery Limited

Notes on the financial statements

1. *Accounting policies*

(a) *Accounting convention*

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention.

(b) *Turnover*

Turnover is the amount received from the realisation of debts purchased and court fees recovered.

(c) *Stock of debts*

Stock of debts is valued at the lower of invoiced cost and net realisable value.

(d) *Fixed assets*

Fixed assets are fully depreciated on a straight line basis over their estimated useful lives, varying between 3 and 10 years.

(e) *Deferred Taxation*

Deferred taxation in respect of the excess of capital allowances over depreciation charged and other timing differences is provided for at the appropriate future rate of corporation tax, to the extent that a liability is expected to crystallise in the foreseeable future.

2. *Profit on ordinary activities before taxation*

The profit on ordinary activities before taxation relates wholly to continuing businesses.

	1998	1997
	£000s	£000s
The profit on ordinary activities before taxation is arrived at after charging:		
Depreciation	7	6
Audit fee	5	4

Employees

All employees are employees of Freemans PLC and details of their remuneration and pension arrangements are disclosed in the report of that Company.

Downland Debt Recovery Limited

Notes on the financial statements (continued)

Directors' emoluments

The directors are directors of Freemans PLC and are remunerated as such. The directors receive no payments in respect of services provided as directors of Downland Debt Recovery Limited.

3. *Taxation on profit on ordinary activities*

The taxation charge based on profit for the year is made up as follows:

	1998 £000s	1997 £000s
Corporation tax - current	210	136
UK deferred tax - current	6	-
	<u>216</u>	<u>136</u>

The UK corporation tax charge is based on profits for the year, at the rate of 31.3% (1997: 33%).

4. *Tangible assets*

	Furniture & Fixtures £000s	Plant & Machinery £000s	Total £000s
<i>Cost</i>			
At 1 February 1997	44	67	111
Transfers	-	144	144
At 31 January 1998	<u>44</u>	<u>211</u>	<u>255</u>
<i>Depreciation</i>			
At 1 February 1997	44	66	110
Charge for the period	-	7	7
At 31 January 1998	<u>44</u>	<u>73</u>	<u>117</u>
<i>Net book value</i>			
At 31 January 1998	<u>-</u>	<u>138</u>	<u>138</u>
At 1 February 1997	<u>-</u>	<u>1</u>	<u>1</u>

Downland Debt Recovery Limited

Notes on the financial statements (continued)

5. *Called up share capital*

Authorised, allotted and fully paid 10,000 ordinary shares of £1 each.

6. *Deferred taxation*

Details of the net potential deferred taxation liability the extent to which this has been accounted for in these accounts are set out below.

	Potential Liability £000	Accrual Made £000	Potential Liability £000	Accrual Made £000
Capital allowances in advance of depreciation	8	6	-	-

7. *Cash flow statement*

A cash flow statement has not been prepared by Downland Debt Recovery Limited.

A group cash flow statement is prepared by the ultimate parent undertaking.

8. *Profit and loss account*

	1998 £000s	1997 £000s
Balance at 1 February 1997	1,984	1,712
Profit for the financial year	486	272
Balance at 31 January 1998	<u>2,470</u>	<u>1,984</u>

9. *Contingent liability*

The Company has a contingent liability in respect of a Group banking arrangement whereby it guarantees the overdrafts of other Group companies under a group pooling arrangement.

10. *Ultimate parent undertaking*

The ultimate parent undertaking is Sears plc which is registered in England. The immediate parent Company is Freemans PLC which is also registered in England.

Sears plc is the parent undertaking of the only group of undertakings for which group accounts are prepared and of which the Company is a member. The Sears plc annual report is available from Sears plc, 40 Duke Street, London W1A 2HP.

Exemption has been taken under Financial Reporting Standard No. 8 from the requirement to disclose transactions with other Sears plc Group Companies.