

1198575

DOWNLAND DEBT RECOVERY LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
52 WEEKS ENDED 28 JANUARY 1995



Downland Debt Recovery Limited
(Registered Number 1192575)

Report of the Directors

for the 52 weeks ended 28 January 1995

The directors submit their report and financial statements for the 52 weeks ended 28 January 1995.

1. ***Directors*** R P Boland
 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.

The interests of the directors in office at 28 January 1995 in the issued share capital of the ultimate parent company, Sears plc, were as follows:

| Directors | | See | | Exercise price | |
|------------|-------------------|-------|-------------------|----------------|-----------------|
| Name | 29th January 1994 | Notes | 28th January 1995 | (Pence) | Exercise Period |
| I Percival | 17,857 | B | 17,857 | 63 | 12/95-6/96 |
| | 40,000 | A | 40,000 | 79 | 7/94-7/2001 |
| | 50,000 | A | 50,000 | 78 | 7/95-7/2002 |

A) ***Executive share options***

The option price of executive options is based on the average share price for the three trading days prior to the date of grant.

B) ***Savings Related Options***

The option price is based on the average share price for the three trading days prior to the grant and discounted by up to 20%

Mr R P Boland and Mr J J Pearmund 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 5. No dividend is proposed. The profit for the year has been transferred to reserves as shown in note 10 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. *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.

20 April 1995

by order of the board
S T Weeks, Secretary

A handwritten signature in dark ink, appearing to read "S. T. Weeks", with a horizontal line drawn underneath it.

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 5 to 11, 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.

Auditors' Report to the members of Downland Debt Recovery Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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 28 January 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

*Price Waterhouse
Chartered Accountants
and Registered Auditors*

*No.1. London Bridge
London SE1 9QL*

20 April 1995

Downland Debt Recovery Limited

Profit and loss account

52 weeks ended 28 January 1995

| | Notes | 1995 £000s | 1994 £000s |
|--|-------|------------------|------------------|
| <i>Turnover</i> | 1 (b) | 1,449 | 1,436 |
| Cost of sales | | (938) | (1,003) |
| <i>Gross profit</i> | | <u>511</u> | <u>433</u> |
| Debt collection costs | | (390) | (374) |
| Administrative expenses | | <u>(17)</u> | <u>(18)</u> |
| <i>Profit on ordinary activities before taxation</i> | 2 | 104 | 41 |
| Taxation on profit on ordinary activities | 3 | <u>(34)</u> | <u>(13)</u> |
| <i>Profit retained for the year</i> | 10 | <u><u>70</u></u> | <u><u>28</u></u> |

Downland Debt Recovery Limited

Balance sheet

28 January 1995

| | Notes | 1995 £000s | 1994 £000s |
|---|-------|---------------|---------------|
| Fixed Assets | | | |
| Tangible assets | 4 | 13 | 21 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Stock of debts | 1 (c) | 451 | 527 |
| Taxation recoverable | 5 | - | 2 |
| Current account with parent company | | 1,330 | 1,025 |
| Cash at bank and in hand | | 9 | 92 |
| | | <hr/> | <hr/> |
| | | 1,790 | 1,646 |
| Creditors: amounts falling due within one year | | | |
| Accruals | | 156 | 125 |
| Taxation on profits | | 36 | - |
| | | <hr/> | <hr/> |
| | | 192 | 125 |
| Net current assets | | <hr/> | <hr/> |
| | | 1,598 | 1,521 |
| Total assets less current liabilities | | <hr/> | <hr/> |
| | | 1,611 | 1,542 |
| Provision for liabilities and charges: | | | |
| Deferred taxation | 6 | 1 | 2 |
| | | <hr/> | <hr/> |
| | | 1,610 | 1,540 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 7 | 10 | 10 |
| Profit and loss account | 10 | 1,600 | 1,530 |
| | | <hr/> | <hr/> |
| | | 1,610 | 1,540 |
| | | <hr/> | <hr/> |

The accounts were approved by the Board on 20 April 1995.

R P Boland, Chairman

Downland Debt Recovery Limited

52 weeks to 28 January 1995

| | 1995 £000s | 1994 £000s |
|---|---------------|---------------|
| <i>Statement of recognised gains and losses</i> | | |
| Profit for the financial year | 70 | 28 |
| | <hr/> | <hr/> |
| Total recognised gains for the financial year | 70 | 28 |
| | <hr/> | <hr/> |

Note of historical cost profits and losses

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

| | 1995 £000s | 1994 £000s |
|---|---------------|---------------|
| <i>Reconciliation of movements in shareholders' funds</i> | | |
| Profit for the financial year | 70 | 28 |
| | <hr/> | <hr/> |
| Increase in shareholders' funds | 70 | 28 |
| | <hr/> | <hr/> |
| Opening shareholders' funds | 1,540 | 1,512 |
| | <hr/> | <hr/> |
| <i>Closing shareholders' funds</i> | 1,610 | 1,540 |
| | <hr/> | <hr/> |

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.

| | 1995 £000s | 1994 £000s |
|---|---------------|---------------|
| The profit on ordinary activities before taxation is arrived at after charging: | | |
| Depreciation | 8 | 8 |
| Audit fee | 4 | 6 |

Employees

The average number of employees of Downland Debt Recovery Limited during the year was 13 full time staff (1994 13 full time staff).

| | 1995 £000s | 1994 £000s |
|-----------------------|---------------|---------------|
| Staff costs: | | |
| Wages and salaries | 183 | 176 |
| Social Security costs | 14 | 14 |
| Pension costs | 15 | 15 |

Downland Debt Recovery Limited

Notes on the financial statements (continued)

Directors' emoluments

The directors are directors or employees 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:

| | 1995 £000s | 1994 £000s |
|-------------------------------------|---------------|---------------|
| UK corporation tax @ 33% (1994 33%) | 36 | 14 |
| Deferred taxation | (2) | (1) |
| | <u>34</u> | <u>13</u> |

4. Tangible assets

| | Furniture & Fixture £000s | Plant & Machinery £000s | Total £000s |
|--|---------------------------------|-------------------------------|-------------------|
| <i>Cost</i> | | | |
| At 29 January 1994 and 28 January 1995 | 44 | 67 | 111 |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Depreciation</i> | | | |
| At 29 January 1994 | 35 | 55 | 90 |
| Charge for the period | 3 | 5 | 8 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 28 January 1995 | 38 | 60 | 98 |
| | <u> </u> | <u> </u> | <u> </u> |
| <i>Net book value</i> | | | |
| At 28 January 1995 | 6 | 7 | 13 |
| | <u> </u> | <u> </u> | <u> </u> |
| At 29 January 1994 | 9 | 12 | 21 |
| | <u> </u> | <u> </u> | <u> </u> |

Downland Debt Recovery Limited

Notes on the financial statements (continued)

| 5. <i>Taxation recoverable</i> | 1995 £000s | 1994 £000s |
|--|---------------|---------------|
| Payable by group undertakings for group relief | - | 2 |
| | <hr/> | <hr/> |
| | - | 2 |
| | <hr/> | <hr/> |

6. *Deferred taxation*

Deferred taxation, all of which relates to the excess of capital allowances over depreciation charged, has been provided for in full in accordance with the policy stated in note 1(e).

7. *Called up share capital*

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

8. *Group pension scheme*

The immediate parent company, Freemans PLC, operated separate defined benefit pension schemes for full time and part-time employees, the assets of which were held in separate trustee administered funds. In order to rationalise pension arrangements the two pension schemes were consolidated into one scheme with effect from 31 December 1993. An independent Trustee and a Corporate Trustee, Freemans Pension Trustees Limited, were appointed to manage the scheme.

Downland Debt Recovery Limited employees are members of this scheme.

The pension costs relating to the schemes is assessed in accordance with the advice of an independent professionally qualified actuary using the projected unit method. The latest actuarial assessment of the schemes was at 31 January 1992. The assumptions which have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rates of increase of salaries. It was assumed that the investment return would be 9% per annum and that salary increases would be 7½% per annum. An actuarial valuation of the combined scheme as at 31 January 1995 is currently in progress and the results should be available later this year.

At 31 January 1992 the date of the latest actuarial valuation for the schemes, the market value of assets of the principal schemes was £51.4m and was sufficient to cover the benefits that have accrued to members under the rules of the schemes. The recommended funding rate of 14.1% (including employees contributions of 2.4%) was adopted following that valuation.

Downland Debt Recovery Limited

Notes on the financial statements (continued)

9. *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.

10. *Profit and loss account*

| | 1995 £000s | 1994 £000s |
|-------------------------------|---------------|---------------|
| Opening balance | 1,530 | 1,502 |
| Profit for the financial year | 70 | 28 |
| | <hr/> | <hr/> |
| Closing balance | 1,600 | 1,530 |
| | <hr/> | <hr/> |

11. *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.