Notes to the financial statements

for the year ended 31 March 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards in the United Kingdom which have been applied on a consistent basis with previous years except as noted below.

Financial Reporting Standard (FRS) 17, “Retirement Benefits” will be adopted by the Group over the next two years. In accordance with the transitional arrangements, supplementary disclosures are set out in note 36.

The implementation by the Group of FRS 18 “Accounting Policies” and FRS 19 “Deferred Tax” has had no material effect on reported profits. The basis on which interest is reported has been changed in relation to the Financial Services and Finance Divisions to provide a more appropriate presentation of their profitability. Financial Services operating profit is stated after charging £3.0m of funding costs for the Argos store card. The Finance Division is stated after charging a further £4.4m of funding costs over and above the interest charge associated with its non-recourse borrowing. Comparative figures have been restated and the effect is to reduce both operating profit and net interest by £13.9m in the year ended 31 March 2001. There is no effect on profit before taxation.

Compliance with SSAP 19, “Accounting for Investment Properties”, requires a departure from the requirements of the Companies Act 1985 relating to the depreciation of investment properties, as explained in the “Tangible fixed assets” note below.

Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the Company and its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated results from, or up to, the effective date of acquisition or disposal.

Turnover

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

Joint ventures and associated undertakings

The Group’s share of the profits of joint ventures and associated undertakings is included in the Group profit and loss account. Loans to joint ventures and associated undertakings and the Group’s share of net assets are included in the Group balance sheet.

Tangible fixed assets

Investment properties are revalued annually and included in the balance sheet at their open market value. In accordance with SSAP 19, no depreciation is provided in respect of investment properties except for leaseholds with less than 20 years to run. This represents a departure from the Companies Act 1985 requirement concerning the depreciation of fixed assets. Had SSAP19 not been followed the depreciation charge for the financial year would not have been material.

As permitted by FRS 15 the Group has adopted a policy of not revaluing trading properties and previously revalued trading properties are included at their valuation at 31 March 1996 less depreciation. Certain Reality specialist warehouses, all Argos properties and leasehold trading properties with 20 years or less to run had not previously been revalued and remain at depreciated historical cost.

Land is not depreciated. Freehold properties are depreciated over 50 years by equal annual instalments. Leasehold premises with unexpired lease terms of 50 years or less are depreciated by equal annual instalments over the remaining period of the lease. Plant, vehicles and equipment are depreciated by equal annual instalments over 2 to 10 years according to the estimated life of the asset. Equipment on hire or lease is depreciated over the period of the lease.

Goodwill

For acquisitions of subsidiary undertakings and investments in joint ventures and associated undertakings made on or after 1 April 1998, goodwill (being the excess of purchase consideration over the fair value of net assets) is capitalised as an intangible fixed asset. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to bring the accounting policies of acquired businesses into alignment with those of the Group. Goodwill arising on acquisitions is amortised by equal annual instalments over its estimated useful economic life, up to a maximum of 20 years.

Goodwill on acquisitions prior to 1 April 1998 was written off to reserves in the year of acquisition. On the disposal of a business, any goodwill previously written off against reserves is included in the profit or loss on disposal.

Impairment of fixed assets and goodwill

Fixed assets and goodwill are subject to review for impairment in accordance with FRS 11 “Impairment of Fixed Assets and Goodwill”. Any impairment is recognised in the profit and loss account in the year in which it occurs.

1. Accounting policies continued

Other intangible fixed assets

Intangible fixed assets other than goodwill comprise the data purchase and data capture costs of internally developed databases and are capitalised under SSAP 13 to recognise these costs over the period of their commercial use. Depreciation is provided by equal annual instalments on the cost of the assets over 3 to 5 years.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

Instalments and hire purchase debtors

The gross margin from sales on extended credit terms is recognised at the time of sale. The finance charges relating to these sales are included in the profit and loss account as and when instalments are received. The income in the Finance Division under instalment agreements is credited to the profit and loss account in proportion to the reducing balances outstanding.

Leases

The book value of finance lease receivables is included in debtors. Net income is credited to the profit and loss account to achieve a constant rate of return on the net funds invested. Gross rental income and expenditure in respect of operating leases are recognised on a straight line basis over the periods of the leases.

Assets acquired under finance leases are included in tangible fixed assets. The interest element of lease rentals is charged to the profit and loss account over the life of the lease in proportion to the outstanding lease commitment. All other leases are operating leases, and the annual rentals are charged to the profit and loss account as incurred.

Foreign currency

Assets and liabilities of overseas undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date and the results are translated into sterling at average rates of exchange. Differences arising on the retranslation of opening net assets, profits and losses at average rates and borrowings designated as hedges are dealt with through reserves. Exchange profits and losses which arise from normal trading activities are included in the profit and loss account.

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange rates and interest rates. Derivative instruments utilised by the Group include interest rate swaps, currency swaps and forward currency contracts. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to net interest expense over the period of the contract. Forward currency contracts are accounted for as hedges, with the instrument's impact on profit deferred until the underlying transaction is recognised in the profit and loss account. Financial instruments hedging the risk on foreign currency assets are re-valued at the balance sheet date and the resulting gain or loss is offset against that arising from the translation of the underlying assets into sterling.

Deferred taxation

Deferred taxation is provided in respect of all timing differences that have originated but not reversed at the balance sheet date and is determined using the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised only to the extent that they are expected to be recoverable. Deferred taxation is discounted using the post tax yields to maturity that could be obtained at the balance sheet date on relevant government bonds with maturity dates similar to those of the deferred taxation assets and liabilities.

Incentive plans

The Group's share based incentive plans are accounted for in accordance with Urgent Issues Task Force (UITF) Abstract 17 "Employee Share Schemes". The cost of shares acquired by the Group's ESOP trusts or the fair market value of the shares at the date of the grant, less any consideration to be received from the employee, is charged to the profit and loss account over the period to which the employee's performance relates. Where awards are contingent upon future events (other than continued employment) an assessment of the likelihood of these conditions being achieved is made at the end of each reporting period and an appropriate accrual made.

The Company operates a Save As You Earn scheme that allows for the grant of share options at a discount to the market price at the date of the grant. The Company has made use of the exemption under UITF Abstract 17 not to recognise any compensation charge in respect of these options.

Pension costs

The Group operates pension plans throughout the world. The two major defined benefit schemes are in the United Kingdom with similar arrangements being in place for eligible employees in North America, South Africa and in The Netherlands. The assets covering these arrangements are held in independently administered funds.

The cost of providing defined pension benefits is charged to the profit and loss account over the anticipated period of employment in accordance with recommendations made by independent qualified actuaries.

The Group also operates defined contribution pension schemes, the major one being in the United Kingdom with its assets held in an independently administered fund. The cost of providing these benefits, recognised in the profit and loss account, comprises the amount of contributions payable to the schemes in respect of the year.

Notes to the financial statements

for the year ended 31 March 2002

2. Divisional analysis

	Turnover		Profit before taxation		Net assets	
	2002 £m	2001 £m	2002 £m	2001 (Restated) (Note 1) £m	2002 £m	2001 £m
Experian	**1,092.1**	1,018.4	**229.1**	216.6	**665.9**	508.1
Argos Retail Group						
Argos	**2,846.9**	2,387.0	**204.0**	160.8	**269.2**	284.0
Home Shopping – UK & Ireland	**1,533.3**	1,540.4	**33.1**	25.1	**624.0**	502.8
Financial Services	**10.7**	–	**(4.8)**	4.5	**111.5**	33.3
Home Shopping – Continental Europe	**237.9**	322.2	**22.4**	21.7	**213.6**	184.1
	4,628.8	4,249.6	**254.7**	212.1	**1,218.3**	1,004.2
Reality	**470.9**	476.0	**0.5**	5.1	**86.3**	105.3
Burberry	**499.2**	424.7	**90.3**	69.5	**208.4**	168.6
South African Retailing	**122.7**	150.2	**30.9**	30.7	**115.9**	147.4
Finance Division	**29.6**	113.8	**15.1**	20.2	**274.7**	737.8
Property	**–**	–	**24.8**	29.6	**195.3**	209.1
gusco.com	**1.3**	1.0	**(9.7)**	(12.6)	**0.2**	1.0
	6,844.6	6,433.7	**635.7**	571.2	**2,765.0**	2,881.5
Inter-divisional turnover (mainly Reality)	**(387.3)**	(393.1)				
	6,457.3	6,040.6				
Central costs			**(17.1)**	(10.1)		
			618.6	561.1		
Net interest (Note 6)			**(66.5)**	(74.3)		
Profit before amortisation of goodwill, exceptional items and taxation			**552.1**	486.8		
Amortisation of goodwill (principally Argos)			**(99.4)**	(92.3)	**1,421.5**	1,516.2
Exceptional items (Note 5)			**(72.6)**	(84.7)		
Profit before taxation			**380.1**	309.8		
Net borrowings (including non-recourse borrowings)					**(1,485.4)**	(1,711.9)
Dividends and taxation					**(256.8)**	(221.0)
Acquisition consideration due					**(21.7)**	(41.9)
Net assets					**2,422.6**	2,422.9

The profit before taxation of the Property division represents the Group's share of the operating profit of the joint venture, BL Universal PLC.

3. Geographical analysis

	Turnover by destination		Turnover by origin		Profit before taxation		Net assets	
	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 (Restated) (Note 1) £m	2002 £m	2001 £m
United Kingdom & Ireland	**4,783.2**	4,377.2	**4,976.7**	4,550.9	**367.9**	318.4	**1,727.6**	2,017.6
Continental Europe	**635.4**	668.2	**533.2**	582.4	**46.6**	50.2	**331.1**	278.4
North America	**800.5**	753.5	**793.7**	745.7	**161.2**	154.3	**592.2**	437.6
Rest of World	**238.2**	241.7	**153.7**	161.6	**42.9**	38.2	**114.1**	147.9
	6,457.3	6,040.6	**6,457.3**	6,040.6	**618.6**	561.1	**2,765.0**	2,881.5
Net interest (Note 6)					**(66.5)**	(74.3)		
Profit before amortisation of goodwill, exceptional items and taxation					**552.1**	486.8		
Amortisation of goodwill (principally Argos)					**(99.4)**	(92.3)	**1,421.5**	1,516.2
Exceptional items (Note 5)					**(72.6)**	(84.7)		
Profit before taxation					**380.1**	309.8		
Net borrowings (including non-recourse borrowings)							**(1,485.4)**	(1,711.9)
Dividends and taxation							**(256.8)**	(221.0)
Acquisition consideration due							**(21.7)**	(41.9)
Net assets							**2,422.6**	2,422.9

4. Net operating expenses

	2002 £m	2001 £m
Distribution costs	**865.2**	872.5
Administrative expenses (including goodwill £126.9m (2001 £92.3m))	**1,326.4**	1,144.8
	2,191.6	2,017.3

Administrative expenses include an exceptional charge of £63.9m (2001 £43.6m) comprising restructuring costs of £36.4m (2001 £43.6m) and the impairment of goodwill of £27.5m (2001 nil) (Note 5).

5. Exceptional items

	2002 £m	2001 £m
Exceptional items comprise:		
Restructuring costs:		
Redundancy and other costs incurred in connection with the combination of Argos and Home Shopping operations and the formation of Reality	**36.4**	30.5
Redundancy and associated costs incurred in connection with the closure of General Guarantee Finance to new business	**–**	13.1
	36.4	43.6
Impairment of goodwill (principally Reality Solutions)	**27.5**	–
	63.9	43.6
VAT refunds in UK Home Shopping (including interest of £3.3m)	**–**	(4.6)
Loss/(profit) on sale of fixed asset investments	**2.1**	(4.6)
	66.0	34.4
Loss on sale of businesses	**6.6**	50.3
Exceptional charge	**72.6**	84.7

The loss/(profit) on the sale of fixed asset investments relates to the disposal by Experian of internet related investments in the US, and is after charging £3.7m (2001 nil) of goodwill previously written off to reserves.

The loss on sale of businesses, after charging goodwill previously written off to reserves, comprises:

	2002 £m	2001 £m
Universal Versand	**–**	23.0
Highway Vehicle Management	**–**	13.0
Other disposals	**6.6**	14.3
	6.6	50.3
Goodwill previously written off to reserves	**0.3**	40.4

6. Net interest

	2002 £m	2001 (Restated) (Note 1) £m
Interest income:		
Bank deposits and other	**23.2**	30.0
Group share of interest income of associated undertakings	**0.3**	0.5
	23.5	30.5
Interest expense:		
Bank loans and overdrafts	**43.3**	55.6
Eurobonds	**36.2**	37.1
Finance leases	**0.8**	1.4
Group share of interest expense of joint venture	**17.0**	20.9
Group share of interest expense of associated undertakings	**0.1**	0.4
Gross interest expense	**97.4**	115.4
Less: interest charged to cost of sales	**(7.4)**	(13.9)
	90.0	101.5
Net interest expense	**66.5**	71.0

Interest income in the year to 31 March 2001 includes exceptional interest of £3.3m in respect of VAT refunds.

Interest charged to cost of sales comprises £3.0m (2001 nil) in respect of the Argos store card and £4.4m (2001 £13.9m) in respect of the Finance Division.

Notes to the financial statements

for the year ended 31 March 2002

7. Profit on ordinary activities before taxation

		2002 £m	2001 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Net income under finance leases		**(1.6)**	(5.6)
Property rental income under operating leases		**(3.3)**	(3.1)
Other rental income under operating leases	– Highway Vehicle Management	**–**	(27.3)
Operating lease rental expense	– land and buildings	**113.4**	96.4
	– plant, vehicles and equipment	**38.1**	34.8
Amortisation of goodwill		**99.4**	92.3
Impairment of goodwill		**27.5**	–
Amortisation of own shares		**2.6**	1.8
Depreciation of tangible and intangible fixed assets	– assets owned	**200.0**	204.4
	– under finance leases	**8.8**	8.2
Audit fees		**2.0**	1.9
Auditors' remuneration for non-audit services	– accounting, tax and transactions related advice	**2.2**	4.8
	– other advice	**3.5**	3.5

Auditors' remuneration for non-audit services does not include £3.1m of fees in connection with the planned Burberry IPO which are included in prepayments. The guidelines covering the use of the Company's auditors for non-audit services are set out in the Corporate Governance Report on page 20.

8. Tax on profit on ordinary activities

	2002 £m	2001 £m
(a) Analysis of charge for the year		
Current tax:		
UK Corporation tax on profits of the year	**79.7**	171.4
Double taxation relief	**(14.1)**	(112.7)
Adjustments in respect of previous years	**(0.5)**	1.3
	65.1	60.0
Overseas tax	**46.8**	45.5
Group share of tax on profits of joint venture	**1.0**	1.1
Group share of tax on profits of associated undertakings	**1.9**	1.3
Total current tax charge for the year	**114.8**	107.9
Deferred tax:		
Origination and reversal of timing differences	**27.4**	17.5
Increase in discount	**(20.1)**	(19.9)
Adjustments in respect of previous years	**–**	0.6
Tax on profit on ordinary activities	**122.1**	106.1

(b) Factors affecting the tax charge for the year
The tax charge for the year is higher than the standard rate of Corporation tax in the UK (30%).
The differences are explained below:

	2002 £m	2001 £m
Profit on ordinary activities before taxation	**380.1**	309.8
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 30%	**114.0**	92.9
Effects of:		
Adjustments to tax charge in respect of previous years	**(0.5)**	1.3
Expenses not deductible for tax purposes	**8.9**	25.3
Goodwill amortisation not deductible for UK tax purposes	**38.1**	27.9
Tax relief in respect of US goodwill written off to reserves	**(22.1)**	(19.9)
Differences in effective tax rates on overseas earnings	**(16.3)**	(29.3)
Other timing differences	**(7.3)**	9.7
Current tax charge for the year	**114.8**	107.9

(c) Factors that may affect future tax charges
In the foreseeable future, the differences in effective tax rates on overseas earnings and the tax relief in respect of US goodwill are expected to have similar effects as this year on the Group's tax charge. Changes in long term interest rates would affect the discount applied to deferred taxation.

	2002 £m	2001 £m
(d) The tax charge includes the following amounts attributable to exceptional items:		
Tax relief on restructuring costs	**(11.0)**	(10.3)
Tax on refund of VAT	**–**	1.4
Tax (relief)/charge on (loss)/profit on sale of fixed asset investments	**(0.6)**	1.6
	(11.6)	(7.3)

9. Profit on ordinary activities after taxation

Profit on ordinary activities after taxation includes £224.0m (2001 £439.6m) which is dealt with in the financial statements of the Company. As permitted by section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

10. Dividends

		2002 £m	2001 £m
Interim paid	– 6.5p per share (2001 6.2p)	**64.5**	62.1
Final proposed	– 15.2p per share (2001 14.8p)	**151.9**	147.8
Total	– 21.7p per share (2001 21.0p)	**216.4**	209.9

11. Basic and diluted earnings per share

	2002 pence	2001 pence
Basic earnings per share before amortisation of goodwill and exceptional items	**41.7**	37.2
Effect of amortisation of goodwill	**(9.9)**	(9.2)
Effect of exceptional items	**(6.1)**	(7.7)
Basic earnings per share	**25.7**	20.3

The calculation of basic earnings per share is based on profit for the year of £256.6m (2001 £203.7m) divided by the weighted average number of Ordinary shares in issue of 999,811,097 (2001 1,002,535,413). Basic earnings per share before amortisation of goodwill and exceptional items is disclosed to indicate the underlying profitability of the Group and is based on profit of £417.0m (2001 £373.4m):

	2002 £m	2001 £m
Earnings before amortisation of goodwill and exceptional items	**417.0**	373.4
Effect of amortisation of goodwill	**(99.4)**	(92.3)
Effect of exceptional items	**(61.0)**	(77.4)
Profit after taxation	**256.6**	203.7

	2002 m	2001 m
Weighted average number of Ordinary shares in issue during the year*	**999.8**	1,002.5
Dilutive effect of options outstanding	**7.4**	–
Diluted weighted average number of Ordinary shares in issue during the year	**1,007.2**	1,002.5

* Excluding those held by The GUS plc ESOP Trust and The GUS plc ESOP Trust No. 2 upon which dividends have been waived.

The calculation of diluted earnings per share reflects the potential dilutive effect of the exercise of employee share options.

12. Goodwill

	Argos £m	Other acquisitions £m	Total £m
Group			
Cost			
At 1 April 2001	1,554.9	213.3	1,768.2
Differences on exchange	–	(2.6)	(2.6)
Additions	–	34.7	34.7
Sale of businesses	–	(0.5)	(0.5)
At 31 March 2002	**1,554.9**	**244.9**	**1,799.8**
Amortisation			
At 1 April 2001	228.0	24.0	252.0
Differences on exchange	–	(0.1)	(0.1)
Charge for year	78.0	21.4	99.4
Impairment of goodwill	–	27.5	27.5
Sale of businesses	–	(0.5)	(0.5)
At 31 March 2002	**306.0**	**72.3**	**378.3**
Net Book Value at 31 March 2001	1,326.9	189.3	1,516.2
Net Book Value at 31 March 2002	**1,248.9**	**172.6**	**1,421.5**

Notes to the financial statements

for the year ended 31 March 2002

13. Other intangible assets

	Databases £m
Group	
Cost	
At 1 April 2001	406.1
Differences on exchange	(0.8)
Acquisition of subsidiaries	10.0
Additions	71.1
Disposals	(134.0)
At 31 March 2002	**352.4**
Amortisation	
At 1 April 2001	227.2
Differences on exchange	(0.4)
Charge for year	67.9
Disposals	(134.0)
At 31 March 2002	**160.7**
Net Book Value at 31 March 2001	178.9
Net Book Value at 31 March 2002	**191.7**

14. Tangible assets

	Freehold properties £m	Leasehold properties Long leasehold £m	Leasehold properties Short leasehold £m	Plant vehicles & equipment £m	Assets in course of construction £m	Total £m
Group						
Cost or valuation						
At 1 April 2001	341.9	19.8	101.3	972.0	29.5	1,464.5
Differences on exchange	(0.3)	0.1	(0.1)	(7.4)	(0.1)	(7.8)
Acquisition of subsidiaries	–	–	0.7	9.2	–	9.9
Additions	14.5	–	48.6	197.1	5.7	265.9
Reclassifications	1.6	–	22.6	2.6	(26.8)	–
Sale of businesses	(2.1)	(5.6)	–	(17.1)	–	(24.8)
Disposals	(3.9)	(0.1)	(4.3)	(83.5)	–	(91.8)
At 31 March 2002	**351.7**	**14.2**	**168.8**	**1,072.9**	**8.3**	**1,615.9**
Cost	292.3	7.6	168.6	1,072.9	8.3	1,549.7
Valuation – trading properties (1996)	55.9	6.6	0.2	–	–	62.7
Valuation – investment properties (2002)	3.5	–	–	–	–	3.5
	351.7	**14.2**	**168.8**	**1,072.9**	**8.3**	**1,615.9**
Depreciation						
At 1 April 2001	56.4	3.1	44.5	623.1	–	727.1
Differences on exchange	0.1	–	–	(5.3)	–	(5.2)
Acquisition of subsidiaries	–	–	–	3.7	–	3.7
Reclassifications	0.3	–	(1.3)	1.0	–	–
Charge for year	8.7	0.3	9.1	122.8	–	140.9
Sale of businessess	(0.1)	(2.0)	–	(14.1)	–	(16.2)
Disposals	(2.8)	–	(4.1)	(74.6)	–	(81.5)
At 31 March 2002	**62.6**	**1.4**	**48.2**	**656.6**	**–**	**768.8**
Net Book Value at 31 March 2001	285.5	16.7	56.8	348.9	29.5	737.4
Net Book Value at 31 March 2002	**289.1**	**12.8**	**120.6**	**416.3**	**8.3**	**847.1**

14. Tangible assets continued

Investment properties at valuation of £3.5m (2001 £5.2m) are held for hire under operating leases.

The net book value of plant, vehicles and equipment at 31 March 2002 includes £12.2m (2001 £15.3m) acquired under finance leases.

Investment properties of the Company and the Group were revalued as at 31 March 2002 by external valuers, Colliers Conrad Ritblat Erdman Limited, Chartered Surveyors. This valuation was carried out in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. Revalued trading properties are included at their valuation at 31 March 1996 less depreciation.

The valuation at 31 March 1996 was on the basis of open market value for existing use. Other trading properties are included at cost.

On the historical cost basis the net book value of properties carried at valuation is £12.3m (2001 £24.8m), comprising cost of £22.2m (2001 £36.8m) and related depreciation of £9.9m (2001 £12.0m).

	Freehold properties £m	Short leasehold properties £m	Plant vehicles & equipment £m	Total £m
Company				
Cost or valuation				
At 1 April 2001	2.4	0.3	1.4	4.1
Additions	–	1.3	0.7	2.0
Transfer intra-group	0.8	–	–	0.8
Disposals	(0.7)	–	(0.9)	(1.6)
At 31 March 2002	**2.5**	**1.6**	**1.2**	**5.3**
Cost	–	1.6	1.2	2.8
Valuation – investment properties (2002)	2.5	–	–	2.5
	2.5	**1.6**	**1.2**	**5.3**
Depreciation				
At 1 April 2001	–	–	0.7	0.7
Charge for year	–	0.4	0.5	0.9
Disposals	–	–	(0.9)	(0.9)
At 31 March 2002	**–**	**0.4**	**0.3**	**0.7**
Net Book Value at 31 March 2001	2.4	0.3	0.7	3.4
Net Book Value at 31 March 2002	**2.5**	**1.2**	**0.9**	**4.6**

Investment properties at valuation of £2.5m (2001 £2.4m) are held for hire under operating leases.

There is no material difference between the net book value of properties carried at valuation and their historical cost equivalents.

Notes to the financial statements

for the year ended 31 March 2002

15. Investment in joint venture

	Shares £m	Loans £m	Total £m
Group			
Cost or valuation			
At 1 April 2001	115.2	93.8	209.0
Share of profit after taxation	2.2	–	2.2
Share of revaluation of investment properties	(9.7)	–	(9.7)
Repayment	–	(6.2)	(6.2)
At 31 March 2002	**107.7**	**87.6**	**195.3**

The Group holds 50% of the equity share capital of BL Universal PLC. During the year ended 31 March 2001 BL Universal PLC issued 12,800,000 ordinary non voting shares at par for a consideration of £3.2m to the other shareholder. The Group's share of cumulative retained profits at 31 March 2002 is £16.9m (2001 £14.7m) and its share of the turnover for the year, excluded from Group turnover, is £26.6m (2001 £27.6m).

The consolidated balance sheet of BL Universal PLC is as follows:

	2002 £m	2001 £m
Fixed assets	**813.6**	997.3
Current assets	**18.6**	52.7
Creditors – amounts due within one year	**(72.4)**	(125.3)
Creditors – amounts due after more than one year	**(541.2)**	(691.1)
Shareholders' funds	**218.6**	233.6
Attributable to the Group	**107.7**	115.2

The Group's share of the market value of the debt and derivatives of BL Unversal PLC at 31 March 2002 was £4.2m less than the book value.

	Shares £m	Loans £m	Total £m
Company			
Cost			
At 1 April 2001	2.4	93.8	96.2
Repayment	–	(6.2)	(6.2)
At 31 March 2002	**2.4**	**87.6**	**90.0**

16. Fixed asset investments

	Shares in associated undertakings (note a) £m	Other investments (note b) £m	Interests in own shares (note c) £m	Total £m
Group				
Cost or valuation				
At 1 April 2001	59.9	15.6	15.8	91.3
Additions	6.7	0.4	21.5	28.6
Share of profit after taxation	32.0	–	–	32.0
Dividends received	(22.8)	–	–	(22.8)
Disposals	(2.0)	(4.8)	(0.7)	(7.5)
At 31 March 2002	**73.8**	**11.2**	**36.6**	**121.6**
Amounts written off				
At 1 April 2001	–	1.6	1.8	3.4
Amortisation of own shares	–	–	2.6	2.6
Other amounts written off	–	0.4	–	0.4
Disposals	–	–	(0.2)	(0.2)
At 31 March 2002	**–**	**2.0**	**4.2**	**6.2**
Net Book Value at 31 March 2001	59.9	14.0	14.0	87.9
Net Book Value at 31 March 2002	**73.8**	**9.2**	**32.4**	**115.4**

16. Fixed asset investments continued

	Group undertakings (note d) £m	Other investments: Shares in associated undertakings (note a) £m	Other investments: Interests in own shares (note c) £m	Other investments: Total £m
Company				
Cost				
At 1 April 2001	3,163.9	0.4	15.8	16.2
Additions	–	–	21.5	21.5
Disposals	–	–	(0.7)	(0.7)
At 31 March 2002	**3,163.9**	**0.4**	**36.6**	**37.0**
Amounts written off				
At 1 April 2001	5.3	–	1.8	1.8
Amortisation of own shares	–	–	2.6	2.6
Disposals	–	–	(0.2)	(0.2)
At 31 March 2002	**5.3**	**–**	**4.2**	**4.2**
Net Book Value at 31 March 2001	3,158.6	0.4	14.0	14.4
Net Book Value at 31 March 2002	**3,158.6**	**0.4**	**32.4**	**32.8**

a) Shares in associated undertakings

The Group's share of cumulative retained profits of associated undertakings at 31 March 2002 is £19.9m (2001 £10.7m).

The principal associated undertakings are as follows:

Name	Country of incorporation	Class of shares held	% interest	Nature of business
First American Real Estate Solutions	USA	*	20	Information services
NuEdge Systems	USA	*	50	Information services
Motorfile Limited	Great Britain	Ordinary	50	Information services
GUS Finance Limited	Great Britain	Ordinary	50	Financial services
AAGUS Financial Services Group NV	Holland	Ordinary	33.33	Consumer lending

* First American Real Estate Solutions and NuEdge Systems are US partnerships.

GUS Finance Limited is held directly by the Company; other interests in associated undertakings are held by subsidiary undertakings.

b) Other investments

At 31 March 2002, the market and redemption value of the other investments was £9.2m (2001 £10.9m).

c) Interests in own shares

Interests in own shares represents the cost of 7,519,506 (2001 4,050,000) of the Company's Ordinary shares (nominal value of £1,879,876 (2001 £1,012,500)) which amounts to 0.7% (2001 0.4%) of the called up share capital. These shares have been acquired by two trusts in the open market using funds provided by the Company principally to meet obligations under the Performance Share Plan, Long Term Incentive Plans and the US Stock Option Plan. Both trusts have waived their entitlement to dividends. At 31 March 2002 the market value of the shares was £52.6m (2001 £20.0m). The costs of administering the trusts are charged to the Group profit and loss account.

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16. Fixed asset investments continued

The GUS plc ESOP Trust holds 1,782,442 (2001 1,450,000) Ordinary shares to meet obligations under The GUS plc Performance Share Plan and The GUS plc Executive Long Term Incentive Plans. These shares may subsequently be transferred to certain directors and senior executives and the purchase price of the shares is being charged to the profit and loss account so as to spread the cost evenly over the relevant performance period.

The GUS plc ESOP Trust No.2 holds 5,737,064 (2001 2,600,000) Ordinary shares principally to meet obligations under the US Stock Option Plan. These shares may be transferred to certain senior executives employed in North America. The cost to the Company, being the difference between the purchase price and the option price, is being charged to the profit and loss account so as to spread the cost evenly over the relevant performance period.

Details of share awards and options are given in Note 35.

d) The Group's principal subsidiary undertakings are listed on page 67.

17. Stocks

	2002 £m	2001 £m
Group		
Raw materials	**16.5**	14.9
Work in progress	**8.9**	11.9
Finished goods	**565.0**	544.0
	590.4	570.8

There is no significant difference between the replacement cost of stocks and the amounts shown above.

18. Debtors

	2002 Due within one year £m	**2002 Due after more than one year £m**	2001 Due within one year £m	2001 Due after more than one year £m
Group				
Trade debtors:				
Hire purchase debtors	**128.7**	**38.9**	176.0	69.7
Provision for unearned finance charges	**(20.6)**	**(6.0)**	(29.7)	(11.0)
	108.1	**32.9**	146.3	58.7
Instalment debtors	**862.0**	**147.9**	793.3	127.7
Other trade debtors	**461.9**	**6.3**	380.3	–
Total trade debtors	**1,432.0**	**187.1**	1,319.9	186.4
Book value of finance leases in lessor subsidiaries	**0.4**	**0.3**	16.4	15.2
Amounts owed by associated undertakings	**1.5**	**–**	0.5	–
Amount owed by joint venture	**28.0**	**–**	53.2	–
Taxation recoverable	**1.7**	**2.1**	0.3	2.1
VAT recoverable	**28.3**	**–**	12.5	–
Prepayments and accrued income	**213.6**	**10.5**	158.5	18.2
	1,705.5	**200.0**	1,561.3	221.9

Following the closure of General Guarantee to new business, no payments were made during the year (2001 £332.2m) to acquire assets on finance leases and hire purchase agreements.
Collections by the Group and its quasi-subsidiaries, being the aggregate rentals receivable during the year in respect of the earlier agreements, amounted to £469.0m (2001 £839.2m) with the balance receivable in subsequent financial years.

	2002 Due within one year £m	**2002 Due after more than one year £m**	2001 Due within one year £m	2001 Due after more than one year £m
Company				
Amounts owed by subsidiary undertakings	**4,101.9**	**–**	3,771.2	–
Amount owed by joint venture	**27.5**	**–**	53.2	–
Taxation recoverable	**33.4**	**–**	29.0	–
Deferred taxation	**0.2**	**7.0**	–	–
VAT recoverable	**1.0**	**–**	0.5	–
Prepayments and accrued income	**9.2**	**–**	5.4	–
	4,173.2	**7.0**	3,859.3	–

19. Securitised receivables

General Guarantee Finance Limited (GGF), the only subsidiary of the Finance Division, has securitised a significant portion of its debtor book, with the proceeds being used to reduce bank borrowings. Within current assets, non-recourse borrowings are linked with the securitised element of receivables. Turnover and profit before taxation are reduced by financing costs in respect of non-recourse borrowings.

There have been two major securitisation transactions as follows:
– In March 1999, GGF sold £421m of hire purchase receivables to a trust of which Automobile Loan Finance (No 1) Limited (ALF1) is a principal beneficiary.

– In June 1999, GGF sold £400m of hire purchase receivables to a trust of which Automobile Receivables Transaction (No 1) PLC (ART1) is a principal beneficiary.

During the year ended 31 March 2001, GGF ceased to make new advances following the decision to close the business.

ALF1 and ART1 issued debt to finance their interests in the hire purchase receivables, the written terms of which provide no recourse to GGF. Neither GGF nor any other member of the Group is obliged, or intends, to support any losses in respect of the securitised receivables. ALF1 and ART1 are quasi-subsidiaries of the Group.

Receipts of interest and principal from GGF's customers in respect of the securitised receivables are used to repay ALF1's and ART1's obligations on their issued debt and to pay administration expenses with any excess income payable to GGF.

The key elements of the balance sheets of ALF1 and ART1, which form the basis of the linked presentation in the Group balance sheet, are:

	2002 ALF1 £m	**2002 ART1 £m**	**2002 Total £m**	2001 ALF1 £m	2001 ART1 £m	2001 Total £m
Interest in securitised receivables:						
Due within one year	**80.3**	**56.9**	**137.2**	162.9	116.4	279.3
Due after more than one year	**52.4**	**39.1**	**91.5**	174.0	134.4	308.4
Bank balances and cash	**14.4**	**20.3**	**34.7**	29.1	29.9	59.0
	147.1	**116.3**	**263.4**	366.0	280.7	646.7
Amounts owed to Group undertakings	**–**	**(20.0)**	**(20.0)**	–	(20.0)	(20.0)
	147.1	**96.3**	**243.4**	366.0	260.7	626.7
Non-recourse borrowings:						
Due within one year	**70.9**	**64.2**	**135.1**	161.9	126.7	288.6
Due after more than one year	**44.1**	**21.8**	**65.9**	169.9	123.6	293.5
	115.0	**86.0**	**201.0**	331.8	250.3	582.1

In the Group balance sheet, non-recourse borrowings are shown after the deduction of unamortised issue costs incurred by GGF of nil (2001 £0.6m).

The key elements of the profit and loss accounts of ALF1 and ART1, which form the basis of the linked presentation in the Group profit and loss account, are:

	2002 ALF1 £m	**2002 ART1 £m**	**2002 Total £m**	2001 ALF1 £m	2001 ART1 £m	2001 Total £m
Gross financial income	**12.9**	**10.4**	**23.3**	28.5	20.9	49.4
Gross financial expenses	**12.7**	**9.2**	**21.9**	28.2	19.5	47.7

The key elements of the cash flows of ALF1 and ART1 are:

	2002 ALF1 £m	**2002 ART1 £m**	**2002 Total £m**	2001 ALF1 £m	2001 ART1 £m	2001 Total £m
Cash inflows from operating activities	**13.8**	**12.4**	**26.2**	61.0	23.4	84.4
Returns on investments and servicing of finance	**(15.9)**	**(12.5)**	**(28.4)**	(32.4)	(24.1)	(56.5)
Financial investment – movement of interest in hire purchase receivables	**204.2**	**154.8**	**359.0**	161.2	124.2	285.4
Financing – repayment of debt	**(216.8)**	**(164.3)**	**(381.1)**	(168.2)	(129.7)	(297.9)

Of the debt issue of £400.0m by ART1 in the year ended 31 March 2000, an amount of £20.0m was purchased by the Company and is eliminated in the Group financial statements.

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for the year ended 31 March 2002

20. Current asset investments

		2002 £m	2001 £m
Group			
Cost			
Listed investments:	Overseas	**17.3**	22.9
	Great Britain	**0.5**	0.4
Unlisted investments:	Overseas	**5.3**	–
		23.1	23.3
Certificates of deposit		**30.0**	30.0
		53.1	53.3
Market and redemption value			
Listed investments:	Overseas	**16.5**	23.3
	Great Britain	**0.5**	0.4
Unlisted investments:	Overseas	**5.3**	–
		22.3	23.7
Certificates of deposit		**30.0**	30.0
		52.3	53.7

21. Creditors – amounts due within one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Loans and overdrafts (Note 23)	**730.0**	811.0	**288.6**	116.3
Obligations under finance leases	**4.3**	7.5	**–**	–
Trade creditors	**335.4**	309.3	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**4,087.6**	4,113.4
Amounts owed to associated undertakings	**3.3**	2.6	**–**	–
Taxation	**52.4**	19.9	**–**	–
VAT and other taxes payable	**48.3**	53.6	**–**	–
Social security costs	**34.0**	22.8	**–**	–
Accruals	**538.8**	495.8	**16.6**	16.2
Other creditors	**272.9**	365.4	**19.4**	19.0
Proposed final dividend	**151.9**	148.3	**151.9**	148.3
	2,171.3	2,236.2	**4,564.1**	4,413.2

22. Creditors – amounts due after more than one year

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Loans (Note 23)	**799.6**	662.5	**651.9**	655.3
Obligations under finance leases:				
Repayable in one to two years	**4.7**	5.2	**–**	–
Repayable in two to five years	**1.5**	2.2	**–**	–
Taxation	**0.1**	0.1	**–**	–
Accruals	**32.2**	26.2	**–**	–
Other creditors	**26.5**	17.3	**–**	–
	864.6	713.5	**651.9**	655.3

23. Loans and overdrafts

	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Repayable wholly within five years:				
€500m 5.125% Eurobonds 2004	**304.2**	307.9	**304.2**	307.9
US$800m term loan 2001	**–**	560.5	**–**	–
Multi-Currency loans	**469.0**	–	**160.7**	–
Floating Rate Unsecured Loan Notes 2003	**42.3**	46.6	**42.3**	46.6
Other loans and overdrafts	**218.9**	206.0	**85.6**	69.7
	1,034.4	1,121.0	**592.8**	424.2
Repayable after more than five years:				
£350m 6.375% Eurobonds 2009	**347.7**	347.4	**347.7**	347.4
4.9% Perpetual Securities	**147.5**	–	**–**	–
Other loans	**–**	5.1	**–**	–
	1,529.6	1,473.5	**940.5**	771.6
The amounts due to be repaid within five years are repayable as follows:				
Within one year	**730.0**	811.0	**288.6**	116.3
Between one and two years	**0.2**	0.7	**–**	–
Between two and five years	**304.2**	309.3	**304.2**	307.9
	1,034.4	1,121.0	**592.8**	424.2

The Floating Rate Unsecured Loan Notes 2003 were issued in the year ended 31 March 1999 in connection with the acquisition of Argos. Interest is based on LIBOR and is payable on 31 March and 30 September. Noteholders are entitled to require the Company to repay the whole of the principal outstanding by giving notice not less than 30 days prior to the interest payment date.

24. Provisions for liabilities and charges

	Deferred taxation £m	Pensions and similar obligations £m	Total £m
Group			
At 1 April 2001	55.1	78.9	134.0
Differences on exchange	(3.8)	(0.3)	(4.1)
Profit and loss account	7.3	27.4	34.7
Payments	–	(35.7)	(35.7)
Acquisition of subsidiaries	(1.0)	–	(1.0)
Sale of subsidiaries	(0.5)	–	(0.5)
Transfers	(0.9)	–	(0.9)
At 31 March 2002	**56.2**	**70.3**	**126.5**

	Pensions and similar obligations £m
Company	
At 1 April 2001	16.5
Profit and loss account	0.9
Payments	(3.7)
Transfers	22.6
At 31 March 2002	**36.3**

	Group 2002 £m	Group 2001 (Restated) (Note 1) £m
The provision for deferred taxation comprises:		
Accelerated capital allowances	**6.2**	9.6
Other timing differences	**135.0**	110.4
Undiscounted provision for deferred taxation	**141.2**	120.0
Discount	**(85.0)**	(64.9)
Discounted provision for deferred taxation	**56.2**	55.1
Unprovided deferred taxation – property revaluations	**6.2**	9.4

There is no unprovided deferred taxation on property revaluations for the Company (2001 nil).

The Group's share of unprovided deferred taxation in respect of property revaluations of BL Universal PLC is £18.2m (2001 £22.3m).

Deferred taxation is not provided in respect of profits retained in overseas Group undertakings; were these profits to be distributed to the UK parent the taxation liability would be approximately £62.8m (2001 £66.8m).

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25. Called up share capital

	2002 £m	2001 £m
Ordinary shares of 25p each		
Authorised	**312.5**	312.5
Allotted and fully paid	**251.7**	251.6

At 31 March 2002, 1,006,662,067 Ordinary shares had been allotted, called up and fully paid. During the year ended 31 March 2002, 403,592 Ordinary shares were issued for a consideration of £1,671,309 in connection with the exercise of share options.

26. Reserves

	Group			Company	
	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Share premium account £m	Profit and loss account £m
At 1 April 2001	1.8	136.6	2,032.9	1.8	1,958.6
Goodwill on disposals	–	–	4.0	–	–
Differences on exchange	–	1.7	(43.6)	–	–
Profit for the year	–	–	40.2	–	7.6
Revaluation of property	–	(9.7)	–	–	–
Revaluation surplus realised on disposals	–	(7.7)	7.7	–	–
Premium on shares issued under share option schemes	1.6	–	–	1.6	–
At 31 March 2002	**3.4**	**120.9**	**2,041.2**	**3.4**	**1,966.2**

Cumulative goodwill charged to reserves on acquisitions before 1 April 1998 comprises:

	Subsidiary undertakings £m	Associated undertakings £m	Total £m
At 1 April 2001	1,735.9	31.0	1,766.9
Goodwill on sale of businesses	(0.3)	–	(0.3)
Goodwill on sale of fixed asset investments	(3.7)	–	(3.7)
At 31 March 2002	**1,731.9**	**31.0**	**1,762.9**

There are no significant statutory, contractual or exchange control restrictions on distributions by Group undertakings.

Included in differences on exchange is an exchange gain of £4.1m (2001 loss of £116.9m) arising on borrowings denominated in foreign currencies and currency swaps designated as hedges of net investments overseas. This amount includes a gain of £9.1m (2001 loss of £39.9m) on the currency swaps designated as hedges of net investments overseas.

27. Commitments

	2002 £m	2001 £m
Group capital commitments		
Capital expenditure for which contracts have been placed	**104.3**	61.1

There are no significant commitments relating to the Company. The Group's share of the capital commitments of BL Universal PLC at 31 March 2002 is nil (2001 £5.2m).

Operating lease commitments	**2002 Land & buildings £m**	**2002 Plant & equipment £m**	2001 Land & buildings £m	2001 Plant & equipment £m
Group				
Annual commitments where the commitment expires:				
Within one year	**11.2**	**15.9**	6.3	7.4
Within two to five years	**34.8**	**21.2**	27.3	30.5
In more than five years	**98.9**	**1.7**	81.2	–
	144.9	**38.8**	114.8	37.9

	2002 Land & buildings £m	2001 Land & buildings £m
Company		
Annual commitments where the commitment expires:		
Within two to five years	**0.2**	0.2
In more than five years	**1.4**	0.4
	1.6	0.6

28. Contingent liabilities

The Company has guaranteed liabilities of subsidiary undertakings amounting to £350.5m (2001 £598.3m) including guarantees in respect of borrowings by subsidiary undertakings of £347.9m (2001 £593.2m).

29. Related party transactions

Transactions between the Group and its associated undertakings during the year were as follows:
– Experian companies made net sales and recharges to associated undertakings of £15.4m (2001 £15.1m).
– Wehkamp provided database and catalogue services of £0.4m (2001 £0.7m) to AAGUS Financial Services Group NV.

Amounts receivable from and owed to the joint venture and associated undertakings are shown within notes 18 and 21.

During the year ended 31 March 2000, Experian entered into an agreement to acquire property in Costa Mesa, California with the intention of building its new US headquarters facility there by January 2002. In this connection an amount of £15.2m ($24.5m) was paid to First American Real Estate Solutions, an associated undertaking of the Group, as escrow agent and, during the year ended 31 March 2001, an amount of £13.3m ($21.5m) was released to the vendor. The building is now in use but no further amounts were released to the vendor during the year ended 31 March 2002.

30. Foreign currency

The principal exchange rates used were as follows:

	Average		Closing	
	2002	2001	**2002**	2001
US dollar	**1.43**	1.48	**1.43**	1.43
South African rand	**13.52**	10.84	**16.15**	11.46
Euro	**1.62**	1.64	**1.64**	1.62

31. Notes to the Group cash flow statement

	2002 £m	2001 (Restated) (Note 1) £m
(a) Net cash flow from operating activities		
Operating profit	**396.8**	385.3
Depreciation and amortisation charges	**338.3**	304.9
Amounts written off investments	**0.4**	3.4
Increase in stocks	**(23.4)**	(32.7)
Increase in debtors	**(185.5)**	(22.6)
Increase in creditors	**22.2**	6.5
(Decrease)/increase in provisions for liabilities and charges	**(8.3)**	0.9
Net cash inflow from operating activities	**540.5**	645.7
(b) Returns on investments and servicing of finance		
Interest received	**23.1**	28.4
Interest paid	**(65.3)**	(81.6)
Interest element of finance lease rental payments	**(0.8)**	(1.4)
Net cash outflow for returns on investments and servicing of finance	**(43.0)**	(54.6)
(c) Capital expenditure		
Purchase of fixed assets	**(332.1)**	(311.4)
Sale of fixed assets	**10.3**	43.8
Net cash outflow for capital expenditure	**(321.8)**	(267.6)
(d) Financial investment		
Purchase of own shares	**(21.5)**	(15.8)
Purchase of other fixed asset investments	**(7.1)**	(15.9)
Sale of fixed asset investments	**6.9**	5.5
Loans repaid by/(advanced to) BL Universal PLC	**6.2**	(12.3)
Net cash outflow for financial investment	**(15.5)**	(38.5)

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31. Notes to the Group cash flow statement continued

	2002 £m	2001 £m
(e) Acquisition of subsidiaries		
Purchase of subsidiary undertakings (note (k))	**(38.2)**	(171.7)
Net cash/(overdrafts) acquired with subsidiary undertakings (note (k))	**3.9**	(1.0)
Net cash outflow for acquisition of subsidiaries	**(34.3)**	(172.7)
(f) Disposal of subsidiaries		
Sale of subsidiary undertakings (note (l))	**6.3**	233.7
Net cash disposed of with subsidiary undertakings (note (l))	**–**	(4.8)
Net cash inflow from disposal of subsidiaries	**6.3**	228.9
(g) Management of liquid resources		
Purchase of investments	**(8.1)**	(11.7)
Sale of investments	**0.4**	0.3
Purchase of certificates of deposit	**–**	(10.0)
(Increase)/decrease in term deposits (other than overnight deposits)	**(10.3)**	140.3
Net cash (outflow)/inflow from management of liquid resources	**(18.0)**	118.9
(h) Financing		
Debt due within one year:		
Repayment of borrowings	**(572.8)**	(226.0)
New borrowings	**516.6**	34.0
Debt due after more than one year:		
New borrowings	**147.5**	7.2
Repayment of borrowings	**(7.4)**	–
Capital element of finance lease rental payments	**(9.3)**	(10.7)
Net cash inflow/(outflow) from financing	**74.6**	(195.5)

(i) Analysis of net debt	At 1 April 2001 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Other non-cash changes £m	Exchange movement £m	At 31 March 2002 £m
Cash at bank and in hand (including overnight deposits)	196.3	(112.4)	–	–	–	**83.9**
Overdrafts	(114.7)	30.9	–	–	–	**(83.8)**
	81.6	(81.5)	–	–	–	**0.1**
Debt due after one year	(662.5)	(140.1)	–	–	3.0	**(799.6)**
Debt due within one year	(696.3)	56.2	(7.2)	–	1.1	**(646.2)**
Finance leases	(14.9)	9.3	–	(4.9)	–	**(10.5)**
	(1,373.7)	(74.6)	(7.2)	(4.9)	4.1	**(1,456.3)**
Liquid resources:						
Term deposits	108.4	10.3	–	–	–	**118.7**
Current asset investments (including certificates of deposit)	53.3	7.7	–	–	(7.9)	**53.1**
	161.7	18.0	–	–	(7.9)	**171.8**
Total	(1,130.4)	(138.1)	(7.2)	(4.9)	(3.8)	**(1,284.4)**

Including non-recourse borrowings of £201.0m (2001 £581.5m), total borrowings at the end of the year were £1,485.4m (2001 £1,711.9m).

31. Notes to the Group cash flow statement continued

(j) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at inception of the lease of £4.9m (2001 £3.4m).

(k) Acquisition of subsidiary undertakings	2002 £m	2001 £m
Net assets acquired:		
Fixed assets	**15.5**	32.0
Current assets:		
Stocks	**1.7**	16.1
Debtors	**12.2**	56.8
Bank balances and cash	**4.7**	5.6
Creditors (including overdrafts of £0.8m (2001 £6.6m))	**(21.5)**	(75.3)
Provisions for liabilities and charges	**1.0**	0.7
	13.6	35.9
Goodwill	**34.7**	177.7
	48.3	213.6
Satisfied by:		
Cash	**37.2**	168.5
Acquisition expenses	**1.0**	3.2
	38.2	171.7
Deferred consideration	**10.1**	41.9
	48.3	213.6

Subsidiary undertakings acquired during the year had no material impact on the cash flows of the Group.

(l) Disposal of subsidiaries	2002 £m	2001 £m
Fixed assets	**9.9**	189.5
Current assets:		
Stocks	**2.3**	6.6
Debtors	**7.2**	113.9
Bank balances and cash	**–**	4.8
Creditors	**(5.4)**	(63.1)
Provisions for liabilities and charges	**(0.5)**	(3.8)
	13.5	247.9
Goodwill written back on disposal	**0.3**	40.4
Loss on disposal	**(6.6)**	(50.3)
	7.2	238.0
Satisfied by:		
Cash	**6.3**	233.7
Deferred consideration	**0.9**	4.3
	7.2	238.0

Subsidiary undertakings disposed of during the year had no material impact on the cash flows of the Group.

Notes to the financial statements

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32. Acquisitions

	Book value £m	Fair value adjustments £m	Fair value £m
The assets and liabilities of companies acquired in the year were as follows:			
Fixed assets	20.0	(4.5)	15.5
Current assets:			
Stocks	3.4	(1.7)	1.7
Debtors	12.6	(0.4)	12.2
Bank balances and cash	4.7	–	4.7
Creditors	(16.4)	(5.1)	(21.5)
Provisions for liabilities and charges	1.0	–	1.0
Net assets acquired	25.3	(11.7)	13.6
Goodwill			34.7
			48.3
Satisfied by:			
Cash			37.2
Acquisition expenses			1.0
Deferred consideration			10.1
			48.3

The fair value adjustments comprise:	£m
Burberry Asia Pacific	
Elimination of unrealised profit in stock	(1.7)
Deferred taxation thereon	0.4
Experian acquisitions	
Provision in respect of fixed asset impairments	(4.5)
Provision in respect of irrecoverable debtor balances	(0.8)
Provision in respect of property leases	(5.1)
	(11.7)

There were no accounting policy alignments.

In the period from 1 April 2001 to the date of acquisition the Group received royalty income of £0.8m from Burberry Asia Pacific. In the year to 31 March 2001 such income amounted to £0.9m.

33. Financial instruments

The Financial Review on pages 14 to 17 provides details of the Group's treasury policy and controls.

The Group has taken advantage of the exemption available under FRS 13 in respect of short term debtors and creditors and accordingly, where permitted by the FRS, details in respect of such debtors and creditors are excluded from the disclosures dealt with in this note.

(a) Currency exposures

At 31 March 2002 and 31 March 2001 the Group had no material currency exposures after taking account of forward contracts.

(b) Borrowing facilities

At 31 March 2002 the Group had undrawn committed borrowing facilities available of £381.0m (2001 £550.0m) of which £139.3m (2001 nil) expire within one year of the balance sheet date and £241.7m (2001 £550.0m) expire more than two years after the balance sheet date. These facilities are in place to enable the Group to finance its working capital requirements and for general corporate purposes.

(c) Fair values of financial assets and liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial instruments:

	2002 Book value £m	**2002 Fair value £m**	2001 Book value £m	2001 Fair value £m
Fixed asset investments:				
Loans to joint venture	**87.6**	**87.6**	93.8	93.8
Other investments	**9.2**	**9.2**	14.0	10.9
Debtors due after more than one year	**200.0**	**200.0**	221.9	221.9
Securitised receivables	**62.4**	**62.4**	65.2	65.2
Current portion of book value of finance leases in lessor subsidiaries	**0.4**	**0.4**	16.4	16.4
Current asset investments	**53.1**	**52.3**	53.3	53.7
Bank balances and cash	**202.6**	**202.6**	304.7	304.7
Financial assets	**615.3**	**614.5**	769.3	766.6
Loans and overdrafts	**(1,529.6)**	**(1,531.0)**	(1,473.5)	(1,470.3)
Finance leases – amounts due within one year	**(4.3)**	**(4.3)**	(7.5)	(7.5)
Finance leases – amounts due after more than one year	**(6.2)**	**(6.2)**	(7.4)	(7.4)
Other creditors – amounts due after more than one year	**(58.7)**	**(58.7)**	(43.5)	(43.5)
	(983.5)	**(985.7)**	(762.6)	(762.1)
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	**–**	**15.5**	–	24.7
Currency swaps	**1.5**	**1.5**	(6.8)	(6.8)
Tax equalisation swap in respect of currency exposure on term loan	**–**	**–**	(29.1)	(29.1)
Forward foreign currency contracts	**–**	**4.7**	–	5.9

The fair values of listed current asset investments and borrowings are based on year end mid-market prices. The fair values of other financial assets and liabilities and interest rate swaps are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end. The book value and fair value of the tax equalisation swap represents the liability to the provider of that instrument at the year end. The fair value of foreign currency contracts is based on a comparison of the contractual and year end exchange rates.

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for the year ended 31 March 2002

33. Financial instruments continued

(d) Interest rate risk profile

The returns earned on bank balances, cash and investments are variable, determined by local market conditions.

The interest rate risk profile of the Group's other financial assets by currency after taking account of interest rate swaps is as follows:

	Floating rate assets	Fixed rate assets	Financial assets on which no interest is earned	Total	Fixed rate assets	
					Weighted average interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	£m	%	years
At 31 March 2002						
Finance Division – sterling	72.3	–	–	72.3	–	–
European Home Shopping – euro	128.8	–	–	128.8	–	–
South African Retailing – rand	–	22.9	–	22.9	23	2
Other	19.2	1.1	18.5	38.8	–	–
Total	**220.3**	**24.0**	**18.5**	**262.8**		
At 31 March 2001						
Finance Division – sterling	126.4	–	–	126.4	–	–
European Home Shopping – euro	94.5	8.8	–	103.3	29	2
South African Retailing – rand	–	29.2	–	29.2	26	2
Other	2.2	22.2	20.2	44.6	22	2
Total	223.1	60.2	20.2	303.5		

The floating rate assets above earn interest at rates generally determined by local regulation and market conditions.

The interest rate risk profile of the Group's financial liabilities by currency after taking account of interest rate swaps is as follows:

	Floating rate financial liabilities	Fixed rate financial liabilities	Financial liabilities on which no interest is paid	Total	Fixed rate liabilities	
					Weighted average interest rate	Weighted average period for which rate is fixed
	£m	£m	£m	£m	%	years
At 31 March 2002						
Sterling	574.7	177.8	21.2	773.7	5	4
US Dollar	460.4	8.7	8.1	477.2	–	–
Rand	6.0	0.8	–	6.8	–	–
Euro	4.6	307.0	26.9	338.5	5	2
Other	0.1	–	2.5	2.6	–	–
Total	**1,045.8**	**494.3**	**58.7**	**1,598.8**		
At 31 March 2001						
Sterling	567.8	8.3	15.4	591.5	–	–
US Dollar	0.2	569.0	7.6	576.8	6	1
Rand	23.1	1.8	–	24.9	–	–
Euro	7.7	310.5	20.5	338.7	5	3
Total	598.8	889.6	43.5	1,531.9		

The floating rate liabilities accrue interest at rates generally determined by local regulation and market conditions.

(e) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities, including finance lease obligations, is as follows:

	2002 £m	2001 £m
In one year or less	**734.3**	818.5
In one to two years	**31.0**	47.4
In two to five years	**323.2**	311.5
In more than five years	**510.3**	354.5
	1,598.8	1,531.9

33. Financial instruments continued

(f) Hedging

Derivative financial instruments are accounted for using hedge accounting to the extent that they are held to hedge a financial asset or liability.

At 31 March 2002 and 31 March 2001, the Group had no material deferred foreign currency gains. An analysis of unrecognised gains on hedging is shown below:

Year ended 31 March 2002	Unrecognised gains £m
On hedges at 1 April 2001	30.6
Arising before 1 April 2001 and recognised during the year ended 31 March 2002	(14.1)
Arising during the year and not included in current year income	3.7
At 31 March 2002	**20.2**
Expected to be recognised in 2002/3	3.6
Expected to be recognised thereafter	16.6
Year ended 31 March 2001	
On hedges at 1 April 2000	21.3
Arising before 1 April 2000 and recognised during the year ended 31 March 2001	(12.5)
Arising during the year and not included in current year income	21.8
At 31 March 2001	**30.6**
Expected to be recognised in 2001/2	14.1
Expected to be recognised thereafter	16.5

There were no unrecognised losses on hedging at 31 March 2002 and 31 March 2001.

34. Employees

	2002			2001		
	Full time	**Part time**	**Full time equivalent**	Full time	Part time	Full time equivalent
The average number of employees of the Group during the year was:						
Experian	**11,372**	**513**	**11,652**	11,386	532	11,704
Argos Retail Group						
Argos	**8,262**	**17,980**	**14,560**	9,450	16,155	13,394
Home Shopping – UK & Ireland	**2,829**	**1,351**	**3,572**	3,080	569	3,215
Financial Services	**50**	**5**	**54**	39	4	41
Home Shopping – Continental Europe	**824**	**736**	**1,224**	1,384	816	1,829
	11,965	**20,072**	**19,410**	13,953	17,544	18,479
Reality	**10,550**	**6,004**	**15,028**	9,501	7,525	14,365
Burberry	**2,967**	**223**	**3,077**	2,502	199	2,641
South African Retailing	**5,561**	**750**	**5,811**	5,469	557	5,697
Finance Division	**157**	**–**	**157**	437	20	447
gusco.com	**26**	**–**	**26**	34	–	34
Central	**50**	**1**	**50**	49	–	49
	42,648	**27,563**	**55,211**	43,331	26,377	53,416

The aggregate payroll cost was as follows:	**2002 £m**	2001 £m
Wages and salaries	**1,026.9**	959.1
Social security costs	**119.5**	111.2
Other pension costs	**44.5**	38.3
	1,190.9	1,108.6

Details of the remuneration, shareholdings and share options of the directors are included in the Report on Directors' Remuneration and Related Matters on pages 24 to 31.

Notes to the financial statements

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35. Share options and awards

Awards under The GUS plc Performance Share Plan and The GUS plc Executive Long Term Incentive Plans

During the year ended 31 March 2002, awards were made under these plans in respect of a total of 568,620 (2001 1,446,609) Ordinary shares. At 31 March 2002 awards in respect of a total of 1,679,946 (2001 1,360,592) Ordinary shares remained outstanding and, as indicated in Note 16, shares have been purchased by The GUS plc ESOP Trust to meet obligations under these plans. These awards include those granted to directors, further details of which are contained in the Report on Directors' Remuneration and Related Matters on pages 24 to 31.

During the year ended 31 March 2002, 67,558 Ordinary shares were transferred from the Trust to beneficiaries of The GUS plc Executive Long Term Incentive Plans.

Options under the 1998 Approved and Non-Approved Executive Share Option Schemes

Unexercised options granted under these schemes in respect of Ordinary shares in the Company are as follows:

Number of shares 2002	Number of shares 2001	Exercise price	Period of exercise
136,674	161,664	580.2p	From 09.12.2001 to 08.12.2008
132,349	154,385	690.2p	From 23.06.2002 to 22.06.2009
3,688,374	4,090,693	375.7p	From 07.04.2003 to 06.04.2010
81,737	81,737	428.2p	From 07.08.2003 to 06.08.2010
192,674	192,674	526.0p	From 06.12.2003 to 05.12.2010
5,838,017	–	612.7p	From 11.06.2004 to 10.06.2011
398,638	–	635.0p	From 17.12.2004 to 16.12.2011
10,468,463	4,681,153		

These options include those granted to directors of the Company, further details of which are contained in the Report on Directors' Remuneration and Related Matters on pages 24 to 31.

During the year ended 31 March 2002, 379,839 Ordinary shares were issued following the exercise of such share options.

Options under the US Stock Option Plan

Unexercised options granted under this scheme in respect of Ordinary shares in the Company are as follows:

Number of shares 2002	Number of shares 2001	Exercise price	Period of exercise
2,256,409	2,608,836	381.3p	From 14.06.2001 to 13.06.2006
32,472	32,472	526.0p	From 06.12.2001 to 05.12.2006
2,600,011	–	612.7p	From 11.06.2002 to 10.06.2007
4,888,892	2,641,308		

All such options are to be satisfied by the transfer of already issued Ordinary shares and shares have been purchased for this purpose by The GUS plc ESOP Trust No. 2 (see note 16). During the year ended 31 March 2002, 112,936 Ordinary shares were transferred from the Trust to beneficiaries on the exercise of options.

Options under The GUS plc Savings Related Share Option Scheme

Unexercised options granted under this scheme in respect of Ordinary shares in the Company are as follows:

Number of shares 2002	Number of shares 2001	Exercise price	Period of exercise
5,160,970	5,898,905	384.0p	From 01.05.2004 to 31.10.2004
5,073,644	5,637,484	384.0p	From 01.05.2006 to 31.10.2006
10,234,614	11,536,389		

These options include those granted to directors of the Company, further details of which are contained in the Report on Directors' Remuneration and Related Matters on pages 24 to 31.

During the year ended 31 March 2002, 23,753 Ordinary shares were issued following the exercise of such share options.

36. Pensions and other post-retirement benefits

The Group operates pension plans in a number of countries around the world and provides post retirement healthcare insurance benefits to certain former employees.

Pension arrangements for UK employees are operated through two defined benefit schemes (the GUS Scheme and the Argos Scheme) and the GUS Defined Contribution Scheme. In other countries, benefits are determined in accordance with local practice and regulations and funding is provided accordingly. There are defined benefit arrangements in place in the United States of America, South Africa and The Netherlands with the remainder being either defined contribution or state sponsored schemes.

(a) Pension costs

Pension costs are determined in accordance with Statement of Standard Accounting Practice 24 (SSAP 24) with supplementary disclosures in accordance with the transitional arrangements of Financial Reporting Standard 17 (FRS 17).

The total pension cost for the Group was £44.5m (2001 £38.3m) of which £9.7m (2001 £9.3m) related to overseas plans. Accrued pension costs in respect of the defined benefit schemes and other pension liabilities amounted to £57.9m (2001 £65.9m) and are included in Provisions for liabilities and charges (Note 24). Accrued pension costs include £25.7m (2001 £25.2m) in respect of unfunded liabilities.

The GUS 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.

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

Valuation rate of interest	
Pre-retirement	6.0% per annum
Post-retirement	6.0% per annum
Rate of future earnings growth	4.3% per annum
Pension increases	2.5% per annum

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 Argos 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 5 April 2001 by independent, qualified actuaries, Watson Wyatt Partners, using the projected unit method.

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

Investment return	6.0% per annum
Rate of future earnings growth	4.3% per annum
Pension increases	2.5% per annum

At the valuation date, the market value of the Scheme's assets was £216.6m. This represented 98% of the benefits that had accrued to members.

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 £0.7 m (2001 £0.6m) were payable to the fund at 31 March 2002 and are included in creditors.

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36. Pensions and other post-retirement benefits continued

(b) Post-retirement healthcare costs

The Group operates schemes which provide post-retirement healthcare benefits to certain retired employees and their dependant relatives. The principal scheme relates to former employees in the UK and, under this scheme, the Group has undertaken to meet the cost of post-retirement healthcare insurance for all eligible former employees and their dependants who retired prior to 1 April 1994.

The last full actuarial valuation of the accrued liability in respect of these benefits was carried out as at 31 March 2002 by independent qualified actuaries, Mercer Human Resource Consulting Limited, using the projected unit method. The assumption which has the most significant impact on the actuarial valuation is that medical cost inflation will be 6.5% per annum for three years reducing to 4.3% per annum for the longer term. A provision at 31 March 2002 of £12.4m (2001 £13.0m) is included in Provisions for liabilities and charges (Note 24).

Premiums paid in the year were £0.6m (2001 £0.7m) and the total cost for the Group was £0.6m (2001 £0.7m).

(c) Disclosures made in accordance with FRS 17

As explained in note 1, the Group has adopted the requirements of FRS 17, 'Retirement Benefits' during the year. Under the transitional arrangements, the Group continues to account for pension costs in accordance with SSAP 24 but a number of additional disclosures are required including information in relation to overseas schemes.

During the year ended 31 March 2002, contributions to the Group's defined benefits schemes amounted to £35.1m.

The last full valuations of the schemes were carried out as follows:

The GUS Defined Benefit Scheme	–	31 March 2001
The Argos Defined Benefit Scheme	–	5 April 2001
The Lewis Stores Group Pension Fund	–	1 January 2000
The Lewis Stores Retirement Fund	–	1 January 2000
The Experian Pension Plan (USA)	–	31 March 2002
The Experian Information Solutions Inc Supplemental Benefit Plan (USA)	–	31 March 2002
The Wehkamp Retirement Plan (Netherlands)	–	31 December 2001

The principal assumptions used in these valuations were as follows:

UK Schemes

	GUS %	Argos %
Rate of inflation	2.5	2.5
Rate of salary increases	4.3	4.3
Rate of increase for pensions in payment and deferred pensions	2.5	2.5
Discount rate	6.0	6.0

Overseas Schemes

	USA %	South Africa %	Netherlands %
Rate of inflation	2.0	8.0	2.0
Rate of salary increases	4.0	12.5	4.0
Rate of increase for pensions in payment and deferred pensions	0.0	5.0	1.0
Discount rate	6.5	15.0	6.0

36. Pensions and other post-retirement benefits continued

Scheme assets and expected rates of return

At 31 March 2002 the assets of the Group's defined benefit schemes and the expected rates of return are summarised as follows:

	UK		Overseas	
	Fair value £m	Expected long-term rate of return %pa	Fair value £m	Expected long-term rate of return %pa
Market value of scheme assets:				
Equities	405.8	8.0	54.7	9.8
Fixed interest securities	131.6	5.0	48.1	5.4
Property	–	–	0.6	18.0
Other	16.3	5.0	9.7	8.3
Total fair value of scheme assets	553.7		113.1	

The following amounts at 31 March 2002 were measured in accordance with the requirements of FRS 17:

	£m
Market value of schemes' assets	666.8
Present value of schemes' liabilities	(710.1)
Deficit in the schemes	(43.3)
Liability for post retirement healthcare and unfunded pension arrangements	(49.7)
	(93.0)
Related deferred tax asset	27.9
Net pension liability	(65.1)

Of the above net pension liability, £48.2m (net of deferred tax) has been recognised in the financial statements at 31 March 2002 under SSAP 24. If FRS 17 had been adopted in full in the financial statements, the Group's net assets and profit and loss account reserve at 31 March 2002 would have been as follows:

	£m	£m
Net assets per balance sheet		2,422.6
Elimination of liabilities under SSAP 24	48.2	
Net pension liability under FRS 17	(65.1)	(16.9)
Net assets including net pension liability		2,405.7
Profit and loss account reserve per balance sheet		2,041.2
Elimination of liabilities under SSAP 24	48.2	
Net pension liability under FRS 17	(65.1)	(16.9)
Profit and loss account reserve including net pension liability		2,024.3