Notes to the financial statements

for the year ended 31 March 2003

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.

The transitional provisions of FRS 17 "Retirement Benefits" applicable to the 2003 reporting period have been adopted by the Group in these financial statements. In accordance with these transitional arrangements, supplementary disclosures are set out in note 36.

From 1 April 2002, Reality's external logistics sales and results are reported within Home Shopping UK & Ireland with sales from third party call centre and related activities reported as part of Experian International. Comparative figures have been restated. For the year ended 31 March 2002, £73m of external logistics sales are shown within Home Shopping UK & Ireland with £23m of sales from third party call centre and related activities included within Experian International. The profits of £0.5m and net assets of £86m have been included within Home Shopping UK & Ireland.

CreditExpert.com, a US consumer credit management business, is now managed by and reported within Experian North America. Comparative figures have been restated to remove the losses of CreditExpert.com from gusco.com and to reduce the reported profit of Experian North America by £4.9m. There is no material impact on divisional turnover.

The Group has for several years hedged its investments in subsidiaries outside the UK by a combination of foreign currency borrowings and forward sales of relevant foreign currencies. The forward premium/discount to spot exchange rates incorporated in these forward sales contracts reflects the differential between sterling interest rates and the interest rate of the currency concerned. Until 31 March 2002 this interest rate differential has been taken directly to reserves, along with the changes in value during the year of the currency borrowings, the forward currency sales and the assets being hedged. For GUS, the most significant overseas assets are in the United States. With US short term interest rates well below sterling interest rates and the growth in the Group's forward sales of US dollars, the interest element of these forward dollar sales, whose effect is to reduce interest costs, has become more significant. Similar issues arise in connection with the Group's hedging of its euro and South African rand assets, with euro interest rates slightly below sterling rates and South African interest rates significantly higher than sterling rates.

With effect from 1 April 2002, the Group is accounting for the forward premium/discount arising on forward currency sales as interest. The effect of this change has been to reduce interest expense for the year ended 31 March 2003 by £9m; this consists of a £12m gain from dollar and euro hedging less a £3m cost of South African hedging. There would have been no material effect if this approach had been applied in the year ended 31 March 2002.

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 financial statements of the Company and its subsidiary undertakings for the financial year ended 31 March 2003 except for those of Homebase which prepares its financial statements to the end of February to avoid distortions relating to the timing of Easter and related promotions and trading patterns. The results of subsidiary undertakings sold or acquired during the year are included in the consolidated results up to the date of disposal or from the date of acquisition.

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.

Notes to the financial statements

for the year ended 31 March 2003

1. Accounting policies continued

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 SSAP 19 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 Home Shopping specialist warehouses, all Argos and Homebase 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.

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 7 years.

Stocks

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

Instalment 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

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.

Gross rental income and expenditure in respect of operating leases are recognised on a straight line basis over the periods of the leases.

1. Accounting policies continued

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 taken to reserves. Foreign currency transactions which are covered by specific forward exchange contracts are translated into sterling at the contracted exchange rates. The interest differential reflected in forward contracts is taken to interest expense. 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 revalued 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 timing differences that have originated but not reversed at the balance sheet date and is determined using the tax rates that are expected to apply when the timing differences 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 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 Group operates Save As You Earn schemes that allow for the grant of share options at a discount to the market price at the date of the grant. The Group 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 the Netherlands. The assets covering these arrangements are held in independently administered funds.

The Group charges the regular costs of its defined benefit pension schemes against profits on a systematic basis over the service lives of the pensionable employees. Variation from regular cost is allocated over the expected remaining service lives of current scheme members. Any difference between the cumulative amounts charged against profit and contributions paid is included as a provision in the balance sheet.

The Group also operates defined contribution pension schemes, the major one being in the United Kingdom with assets held in independently administered funds. 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 2003

2. Divisional analysis

	Turnover 2003 £m	Turnover (Restated) (Note 1) 2002 £m	Profit before taxation 2003 £m	Profit before taxation (Restated) (Note 1) 2002 £m	Net assets 2003 £m	Net assets (Restated) (Note 1) 2002 £m
Experian						
Experian North America	**718**	688	**171.5**	154.6	**385**	500
Experian International	**483**	427	**84.9**	69.6	**179**	166
	1,201	1,115	**256.4**	224.2	**564**	666
Argos Retail Group						
Argos	**3,192**	2,847	**238.2**	204.0	**282**	269
Homebase	**251**	–	**2.2**	–	**176**	–
Home Shopping – UK & Ireland	**1,482**	1,607	**15.4**	33.6	**777**	710
Financial Services	**34**	11	**4.6**	(4.8)	**122**	112
Home Shopping – Continental Europe	**275**	238	**24.7**	22.4	**275**	214
	5,234	4,703	**285.1**	255.2	**1,632**	1,305
Burberry	**594**	499	**116.7**	90.3	**209**	208
South African Retailing	**114**	123	**31.8**	30.9	**156**	116
Finance Division	**17**	29	**6.6**	15.1	**52**	275
Property	**–**	–	**25.9**	24.8	**210**	195
gusco.com	**1**	1	**(2.7)**	(4.8)	**–**	–
	7,161	6,470	**719.8**	635.7	**2,823**	2,765
Inter-divisional turnover (principally Experian)	**(15)**	(13)				
	7,146	6,457				
Central costs			**(19.3)**	(17.1)		
			700.5	618.6		
Net interest (Note 6)			**(58.1)**	(66.5)		
Profit before amortisation of goodwill, exceptional items and taxation			**642.4**	552.1		
Amortisation of goodwill			**(142.9)**	(99.4)	**2,436**	1,422
Exceptional items (Note 5)			**(90.1)**	(72.6)	**(210)**	–
Profit before taxation			**409.4**	380.1		
Net borrowings (including non-recourse borrowings)					**(2,086)**	(1,485)
Dividends and taxation					**(286)**	(257)
Acquisition consideration due					**(37)**	(22)
Net assets					**2,640**	2,423

Included within turnover and profit before taxation of Argos Retail Group shown above, £1,673m (2002 £1,779m) of turnover and £35.3m (2002 £44.0m) of profit before tax relates to discontinued activities.

The turnover and profit figures for Homebase cover the post acquisition period from 20 December 2002.

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

Amortisation of goodwill includes £38m (2002 £5m) relating to Experian, £99m (2002 £89m) relating to Argos Retail Group and £6m (2002 £5m) relating to Burberry. The goodwill reported within net assets of £2,436m (2002 £1,422m) includes £363m (2002 £43m) relating to Experian, £1,950m (2002 £1,284m) relating to Argos Retail Group and £123m (2002 £95m) relating to Burberry.

Exceptional items include a provision of £210m (2002 nil) for loss on disposal of Home Shopping and Reality businesses and this provision is shown separately within net assets.

3. Geographical analysis

	Turnover by destination 2003 £m	Turnover by destination 2002 £m	Turnover by origin 2003 £m	Turnover by origin 2002 £m	Profit before taxation 2003 £m	Profit before taxation 2002 £m	Net assets 2003 £m	Net assets 2002 £m
United Kingdom & Ireland	**5,338**	4,783	**5,476**	4,976	**416.8**	367.9	**1,781**	1,728
Continental Europe	**669**	635	**605**	533	**47.1**	46.6	**404**	331
North America	**860**	801	**853**	794	**185.8**	161.2	**482**	592
Rest of World	**279**	238	**212**	154	**50.8**	42.9	**156**	114
	7,146	6,457	**7,146**	6,457	**700.5**	618.6	**2,823**	2,765
Net interest (Note 6)					**(58.1)**	(66.5)		
Profit before amortisation of goodwill, exceptional items and taxation					**642.4**	552.1		
Amortisation of goodwill					**(142.9)**	(99.4)	**2,436**	1,422
Exceptional items (Note 5)					**(90.1)**	(72.6)	**(210)**	–
Profit before taxation					**409.4**	380.1		
Net borrowings (including non-recourse borrowings)							**(2,086)**	(1,485)
Dividends and taxation							**(286)**	(257)
Acquisition consideration due							**(37)**	(22)
Net assets							**2,640**	2,423

4. Cost of sales and Net operating expenses

	2003 £m	2002 £m
Cost of sales	**4,130**	3,869
Net operating expenses comprise:		
Distribution costs	**1,153**	865
Administrative expenses (including goodwill £162m (2002 £127m))	**1,417**	1,326
	2,570	2,191

Cost of sales includes £908m (2002 £986m) in respect of discontinued activities.

Net operating expenses include £749m (2002 £777m) in respect of discontinued activities of which distribution costs represent £403m (2002 £523m) and administrative expenses represent £346m (2002 £254m).

Administrative expenses include an exceptional charge of £41m (2002 £64m) comprising the cost of employee share schemes in connection with the Initial Public Offering of Burberry of £22m (2002 nil), restructuring costs of nil (2002 £36m) and impairment of goodwill in discontinued activities of £19m (2002 £28m) (Note 5).

Notes to the financial statements

for the year ended 31 March 2003

5. Exceptional items

	2003 £m	2002 £m
Exceptional items comprise:		
Continuing operations		
Profit on Initial Public Offering of Burberry	**161**	–
Cost of employee share schemes in connection with the Initial Public Offering of Burberry (Note 35)	**(22)**	–
	139	–
Loss on sale of businesses	**–**	(6)
Redundancy and other costs incurred in connection with the combination of Argos and Home Shopping operations and the formation of Reality	**–**	(36)
Loss on sale of fixed asset investments	**–**	(2)
	139	(44)
Discontinued operations		
Provision for loss on disposal of Home Shopping and Reality businesses	**(210)**	–
Impairment of goodwill	**(19)**	(28)
	(229)	(28)
Exceptional charge	**(90)**	(72)

The Initial Public Offering of 22.5% of the ordinary share capital of Burberry Group plc took place on 12 July 2002. The associated exceptional items comprise the excess of the flotation proceeds, less costs, over the related portion of net assets at that date and the cost of share schemes designed to secure the retention of employees.

The loss on the sale of fixed asset investments of £2m in 2002 related to the disposal by Experian of internet related investments in the US, after charging £4m of goodwill previously written off to reserves.

The disposal of Home Shopping and Reality businesses was announced on 27 May 2003. The provision for loss on disposal of Home Shopping and Reality represents the difference between the sale proceeds of £590m and the net assets to be disposed of which amount to £800m.

The impairment of goodwill in 2003 relates to goodwill, previously written off to reserves, on the closure of Innovations. The impairment of goodwill charged in 2002 related principally to Reality Solutions.

6. Net interest

	2003 £m	2002 £m
Interest income:		
Bank deposits and other	**20**	23
Interest expense:		
Bank loans and overdrafts	**33**	43
Eurobonds	**39**	36
Finance leases	**1**	1
Group share of interest expense of joint venture	**15**	17
Gross interest expense	**88**	97
Less: interest charged to cost of sales	**(10)**	(7)
	78	90
Net interest expense	**58**	67

Interest charged to cost of sales comprises £7m (2002 £3m) in respect of ARG Financial Services and £3m (2002 £4m) in respect of the Finance Division.

7. Profit on ordinary activities before taxation

		2003 £m	2002 £m
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Operating lease rental expense	– land and buildings	**168**	113
	– plant, vehicles and equipment	**40**	38
Property rental income under operating leases		**(3)**	(3)
Net income under finance leases		**–**	(2)
Amortisation of goodwill		**143**	99
Impairment of goodwill		**19**	28
Amortisation of shares		**13**	3
Depreciation of tangible and intangible fixed assets	– assets owned	**226**	200
	– under finance leases	**6**	9
Audit fees		**2**	2
Auditors' remuneration for non-audit services	– accounting, tax and transactions related advice	**10**	2
	– other advice	**1**	4

Auditors' remuneration for non-audit services in 2002 did not include £3m of fees in connection with the Burberry IPO which were included in prepayments at 31 March 2002 and have been written off during the year ended 31 March 2003.

The guidelines covering the use of the Company's auditors for non-audit services are set out in the Corporate Governance Report on page 34.

8. Tax on profit on ordinary activities

	2003 £m	2002 £m
(a) Analysis of charge for the year		
Current tax:		
UK Corporation tax on profits of the year	**71**	80
Double taxation relief	**(7)**	(14)
Adjustments in respect of prior years	**(2)**	(1)
	62	65
Overseas tax	**46**	47
Group share of tax on profits of joint venture	**3**	1
Group share of tax on profits of associated undertakings	**2**	2
Total current tax charge for the year	**113**	115
Deferred tax:		
Origination and reversal of timing differences	**46**	27
Increase in discount	**(19)**	(20)
Adjustments in respect of prior years	**1**	–
Tax on profit on ordinary activities	**141**	122

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

	2003 £m	2002 £m
Profit on ordinary activities before taxation	**409**	380
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation tax in the UK of 30%	**123**	114
Effects of:		
Adjustments to tax charge in respect of prior years	**(2)**	(1)
Expenses not deductible for tax purposes	**15**	9
Goodwill amortisation not deductible for tax purposes	**48**	38
Tax relief in respect of US goodwill written off to reserves	**(18)**	(22)
Differences in effective tax rates on overseas earnings	**(13)**	(16)
Other permanent differences	**(27)**	–
Disposal of businesses	**15**	–
Other timing differences	**(28)**	(7)
Current tax charge for the year	**113**	115

(c) Factors that may affect future tax charges
In the foreseeable future, the Group's tax charge will continue to be influenced by the profile of profits earned in the different countries in which the business operates. Changes in long term interest rates would affect the discount applied to deferred taxation.

	2003 £m	2002 £m
(d) The tax charge includes the following amounts attributable to exceptional items:		
Tax relief on cost of employee share schemes in connection with the Initial Public Offering of Burberry	**7**	–
Tax relief on restructuring costs	**–**	11
Tax relief on loss on sale of fixed asset investments	**–**	1
	7	12

Notes to the financial statements

for the year ended 31 March 2003

9. Profit on ordinary activities after taxation

Profit on ordinary activities after taxation includes £298m (2002 £224m) 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

	2003 £m	2002 £m
Interim paid – 6.9p per share (2002 6.5p)	**68**	65
Final proposed – 16.4p per share (2002 15.2p)	**164**	152
Total – 23.3p per share (2002 21.7p)	**232**	217

11. Basic and diluted earnings per share

	2003 pence	2002 pence
Basic earnings per share before amortisation of goodwill and exceptional items	**47.8**	41.7
Effect of amortisation of goodwill	**(14.3)**	(9.9)
Effect of exceptional items	**(8.4)**	(6.1)
Basic earnings per share	**25.1**	25.7

The calculation of basic earnings per share is based on profit for the year of £251m (2002 £257m) divided by the weighted average number of Ordinary shares in issue of 995.9m (2002 999.8m). 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 £476m (2002 £417m):

	2003 £m	2002 £m
Earnings before amortisation of goodwill and exceptional items	**476**	417
Effect of amortisation of goodwill	**(142)**	(99)
Effect of exceptional items	**(83)**	(61)
Profit for the year	**251**	257

	2003 m	2002 m
Weighted average number of Ordinary shares in issue during the year*	**995.9**	999.8
Dilutive effect of options outstanding	**7.3**	7.4
Diluted weighted average number of Ordinary shares in issue during the year	**1,003.2**	1,007.2

* Excluding those held by The GUS plc ESOP Trust, The GUS plc ESOP Trust No. 2 and The GUS plc ESOP Trust No.3.

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

12. Goodwill

	Argos £m	Homebase £m	Other acquisitions £m	Total £m
Group				
Cost				
At 1 April 2002	1,555	–	245	1,800
Differences on exchange	–	–	5	5
Additions	–	765	385	1,150
Disposals	–	–	(5)	(5)
At 31 March 2003	**1,555**	**765**	**630**	**2,950**
Amortisation				
At 1 April 2002	306	–	72	378
Charge for year	78	11	48	137
Impairment of goodwill	–	–	4	4
Disposals	–	–	(5)	(5)
At 31 March 2003	**384**	**11**	**119**	**514**
Net Book Value at 31 March 2002	1,249	–	173	1,422
Net Book Value at 31 March 2003	**1,171**	**754**	**511**	**2,436**

The cumulative amortisation at the balance sheet date includes £27m (2002 £28m) in respect of impairment of goodwill.

13. Other intangible assets

	Databases £m
Group	
Cost	
At 1 April 2002	353
Differences on exchange	(24)
Acquisition of subsidiaries	9
Additions	68
Disposals	(18)
At 31 March 2003	**388**
Amortisation	
At 1 April 2002	161
Differences on exchange	(10)
Charge for year	69
Acquisition of subsidiaries	8
Disposals	(18)
At 31 March 2003	**210**
Net Book Value at 31 March 2002	192
Net Book Value at 31 March 2003	**178**

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 2002	352	14	169	1,073	8	1,616
Differences on exchange	(4)	–	(8)	(1)	–	(13)
Acquisition of subsidiaries	10	–	167	413	9	599
Additions	1	–	52	207	27	287
Reclassifications	(3)	–	7	11	(15)	–
Disposals	(13)	–	(11)	(63)	–	(87)
At 31 March 2003	**343**	**14**	**376**	**1,640**	**29**	**2,402**
Cost	291	8	376	1,640	29	2,344
Valuation – trading properties (1996)	48	6	–	–	–	54
Valuation – investment properties (2003)	4	–	–	–	–	4
	343	**14**	**376**	**1,640**	**29**	**2,402**
Depreciation						
At 1 April 2002	63	1	48	657	–	769
Differences on exchange	–	–	(2)	2	–	–
Acquisition of subsidiaries	1	–	102	249	–	352
Reclassifications	(1)	–	–	1	–	–
Charge for year	9	1	11	142	–	163
Provision for loss on disposal of Home Shopping and Reality businesses	61	7	–	68	–	136
Disposals	(3)	–	(9)	(49)	–	(61)
At 31 March 2003	**130**	**9**	**150**	**1,070**	**–**	**1,359**
Net Book Value at 31 March 2002	289	13	121	416	8	847
Net Book Value at 31 March 2003	**213**	**5**	**226**	**570**	**29**	**1,043**

Notes to the financial statements

for the year ended 31 March 2003

14. Tangible assets continued

Investment properties valued at £4m (2002 £4m) are held for hire under operating leases.

The net book value of plant, vehicles and equipment at 31 March 2003 includes £19m (2002 £12m) acquired under finance leases.

Investment properties of the Group and the Company were revalued as at 31 March 2003 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 £11m (2002 £12m), comprising cost of £22m (2002 £22m) and related depreciation of £11m (2002 £10m).

	Freehold properties £m	Short leasehold properties £m	Plant vehicles & equipment £m	Total £m
Company				
Cost or valuation				
At 1 April 2002	3	1	1	5
Disposals	(2)	–	–	(2)
At 31 March 2003	**1**	**1**	**1**	**3**
Cost	–	1	1	2
Valuation – investment properties (2003)	1	–	–	1
	1	**1**	**1**	**3**
Net Book Value at 31 March 2002	3	1	1	5
Net Book Value at 31 March 2003	**1**	**1**	**1**	**3**

Investment properties valued at £1m (2002 £3m) 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.

15. Investment in joint venture

	Shares £m	Loans £m	Total £m
Group			
Cost or valuation			
At 1 April 2002	108	87	195
Share of profit after taxation	5	–	5
Share of revaluation of investment properties	15	–	15
Repayment of loans	–	(5)	(5)
At 31 March 2003	**128**	**82**	**210**

The Group holds 50% of the equity share capital of BL Universal PLC. The Group's share of cumulative retained profits at 31 March 2003 is £22m (2002 £17m) and its share of the turnover for the year, excluded from Group turnover, is £26m (2002 £27m).

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

	2003 £m	2002 £m
Fixed assets	**795**	813
Current assets	**26**	19
Creditors – amounts due within one year	**(56)**	(72)
Creditors – amounts due after more than one year	**(506)**	(541)
Shareholders' funds	**259**	219
Attributable to the Group	**128**	108

The Group's share of the market value of the debt and derivatives of BL Unversal PLC at 31 March 2003 was £6m more than (2002 £4m less than) the book value.

	Shares £m	Loans £m	Total £m
Company			
Cost			
At 1 April 2002	2	87	89
Repayment of loans	–	(5)	(5)
At 31 March 2003	**2**	**82**	**84**

16. Fixed asset investments

	Shares in associated undertakings (note a) £m	Interests in own shares (note b) £m	Other investments (note c) £m	Total £m
Group				
Cost or valuation				
At 1 April 2002	74	36	11	121
Differences on exchange	(5)	–	(2)	(7)
Additions	–	22	2	24
Share of profit after taxation (after goodwill charge of £2m (2002 nil))	39	–	–	39
Dividends received	(24)	–	–	(24)
Disposals	(6)	–	–	(6)
At 31 March 2003	**78**	**58**	**11**	**147**
Amounts written off				
At 1 April 2002	–	4	2	6
Amortisation of shares	–	11	2	13
At 31 March 2003	**–**	**15**	**4**	**19**
Net Book Value at 31 March 2002	74	32	9	115
Net Book Value at 31 March 2003	**78**	**43**	**7**	**128**

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16. Fixed asset investments continued

	Group undertakings (note d) £m	Interests in own shares (note b) £m
Company		
Cost		
At 1 April 2002	3,164	36
Additions	–	22
At 31 March 2003	**3,164**	**58**
Amounts written off		
At 1 April 2002	5	4
Amortisation of own shares	–	11
At 31 March 2003	**5**	**15**
Net Book Value at 31 March 2002	3,159	32
Net Book Value at 31 March 2003	**3,159**	**43**

(a) Shares in associated undertakings

The Group's share of cumulative retained profits of associated undertakings at 31 March 2003 is £35m (2002 £20m).

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
Motorfile Limited	Great Britain	Ordinary	50	Information services
GUS Finance Limited	Great Britain	Ordinary	50	Financial services
AAGUS Financial Services Group NV	Holland	Ordinary	33.3	Consumer lending

* First American Real Estate Solutions is a US partnership.

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

(b) Interests in own shares

Interests in own shares held as fixed and current asset investments represents the cost of 12.2m (2002 7.5m) of the Company's Ordinary shares (nominal value of £3m (2002 £2m)) which amounts to 1.2% (2002 0.7%) of the called up share capital. These shares have been acquired by three trusts in the open market using funds provided by the Company principally to meet obligations, including Employer's National Insurance, under the Performance Share Plan, Long Term Incentive Plans, the US Stock Option Plan and the Co-Investment Plan. The trusts have waived their entitlement to dividends in respect of 11.9m (2002 7.5m) Ordinary shares. At 31 March 2003 the market value of the shares was £59m (2002 £53m). The costs of administering the trusts are charged to the Group profit and loss account.

Of the above 12.2m Ordinary shares held, 10.7m (2002 7.5m) Ordinary shares are held as fixed asset investments by:
(i) The GUS plc ESOP Trust which holds 2.1m (2002 1.8m) 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 periods.

(ii) The GUS plc ESOP Trust No. 2 which holds 7.4m (2002 5.7m) 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, including one director of the Company. 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 periods.

(iii) The GUS plc ESOP Trust No. 3 which holds 1.2m (2002 nil) Ordinary shares principally to meet obligations under The GUS plc Co-Investment Plan. These shares may be subsequently transferred to certain directors and senior executives. The cost of the shares is charged to the profit and loss account in the periods in which the award is earned.

Of the above 12.2m Ordinary shares held, 1.5m (2002 nil) Ordinary shares are held by The GUS plc ESOP Trust No. 3 principally to meet National Insurance liabilities arising in connection with the Company's share based incentive plans and accordingly are classified as current asset investments (see Note 20).

Details of awards and options in respect of the Company's shares are given in Note 35.

16. Fixed asset investments continued

(c) Other investments

Other investments include investments held by Experian North America of £7m (2002 £9m) and shares in Burberry Group plc held by that company. At 31 March 2003 the market and redemption value of these investments was £9m (2002 £9m). The shares in Burberry Group plc held by that company represents the cost of 0.9m ordinary shares (nominal value of £46,073) which amounts to 0.2% of the called up ordinary share capital of that company. These shares have been acquired by two trusts in the open market using funds provided by Burberry companies principally to meet obligations in respect of awards made (or proposed at 31 March 2003) to Burberry employees under an All Employee Share Plan (see Note 35). The trusts have waived their entitlement to dividends in respect of 0.9m ordinary shares. The cost of these shares has been written off within the cost of employee share schemes in connection with the Initial Public Offering of Burberry (see Note 5) as they have been or will be gifted unconditionally to Burberry employees. At 31 March 2003 the market value of the shares was £2m. The costs of administering the trusts are charged to the Group profit and loss account.

(d) Group undertakings

The Group's principal subsidiary undertakings are listed on page 91.

17. Stocks

	2003 £m	2002 £m
Group		
Raw materials	**15**	16
Work in progress	**9**	9
Finished goods	**829**	565
	853	590

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

18. Debtors

	2003 Due within one year £m	**2003 Due after more than one year £m**	2002 Due within one year £m	2002 Due after more than one year £m
Group				
Trade debtors:				
Hire purchase debtors	**198**	**53**	129	39
Provision for unearned finance charges	**(26)**	**(6)**	(21)	(6)
	172	**47**	108	33
Instalment debtors	**842**	**153**	862	148
Other trade debtors	**528**	**52**	462	6
Total trade debtors	**1,542**	**252**	1,432	187
Amounts owed by associated undertakings	**–**	**–**	2	–
Amount owed by joint venture	**–**	**–**	28	–
Taxation recoverable	**4**	**1**	2	2
VAT recoverable	**41**	**–**	28	–
Prepayments and accrued income	**216**	**12**	214	11
	1,803	**265**	1,706	200

Following the closure of General Guarantee to new business, no payments were made during the year (2002 nil) 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 £141m (2002 £469m) with the balance receivable in subsequent financial years.

	2003 Due within one year £m	**2003 Due after more than one year £m**	2002 Due within one year £m	2002 Due after more than one year £m
Company				
Amounts owed by subsidiary undertakings	**4,867**	**–**	4,102	–
Amount owed by joint venture	**–**	**–**	28	–
Taxation recoverable	**21**	**–**	33	–
Deferred taxation	**–**	**13**	–	7
VAT recoverable	**1**	**–**	1	–
Prepayments and accrued income	**7**	**–**	9	–
	4,896	**13**	4,173	7

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19. Securitised receivables

General Guarantee Finance Limited (GGF), the only subsidiary of the Finance Division, had, prior to the decision to close the business during the year ended 31 March 2001, securitised a significant portion of its debtor book, with the proceeds being used to reduce bank borrowings. Within current assets, non-recourse borrowings were linked with the securitised element of receivables. Turnover and profit before taxation were reduced by financing costs in respect of non-recourse borrowings.

There were 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) was 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) was a principal beneficiary.

During the year ended 31 March 2003 both securitisation series were dissolved (ALF1 on 19 December 2002 and ART1 on 17 March 2003). The interest in the securitised receivables was in both cases reduced to nil and the remaining receivables reassigned to GGF. Both ALF1 and ART1 have been released and discharged from their further obligations under each of the securitisation documents.

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

	2003 ALF1 £m	**2003 ART1 £m**	**2003 Total £m**	2002 ALF1 £m	2002 ART1 £m	2002 Total £m
Interest in securitised receivables:						
Due within one year	–	–	–	80	57	137
Due after more than one year	–	–	–	53	39	92
Bank balances and cash	–	–	–	14	20	34
	–	–	–	147	116	263
Amounts owed to Group undertakings	–	–	–	–	(20)	(20)
	–	–	–	147	96	243
Non-recourse borrowings:						
Due within one year	–	–	–	71	64	135
Due after more than one year	–	–	–	44	22	66
	–	–	–	115	86	201

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:

	2003 ALF1 £m	**2003 ART1 £m**	**2003 Total £m**	2002 ALF1 £m	2002 ART1 £m	2002 Total £m
Gross financial income	**3**	**3**	**6**	13	10	23
Gross financial expenses	**3**	**2**	**5**	13	9	22

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

	2003 ALF1 £m	**2003 ART1 £m**	**2003 Total £m**	2002 ALF1 £m	2002 ART1 £m	2002 Total £m
Cash (outflows)/inflows from operating activities	**(28)**	**(26)**	**(54)**	14	12	26
Returns on investments and servicing of finance	**(4)**	**(4)**	**(8)**	(16)	(12)	(28)
Financial investment – movement of interest in hire purchase receivables	**133**	**96**	**229**	204	155	359
Financing – repayment of debt	**(115)**	**(86)**	**(201)**	(217)	(164)	(381)

20. Current asset investments

		Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Cost					
Listed investments:	Great Britain – interests in own shares	**8**	–	**8**	–
	Great Britain – interests in other investments	**3**	1	**–**	–
	Overseas	**21**	17	**–**	–
Unlisted investments:	Overseas	**7**	5	**–**	–
		39	23	**8**	–
Certificates of deposit		**70**	30	**–**	–
		109	53	**8**	–
Market and redemption value					
Listed investments:	Great Britain – interests in own shares	**7**	–	**7**	–
	Great Britain – interests in other investments	**3**	1	**–**	–
	Overseas	**21**	16	**–**	–
Unlisted investments:	Overseas	**6**	5	**–**	–
		37	22	**7**	–
Certificates of deposit		**70**	30	**–**	–
		107	52	**7**	–

The Interests in own shares comprises a holding of 1.5m (2002 nil) of the Company's Ordinary shares held to hedge National Insurance liabilities arising on share based incentive plans (see Note 16). The interests in other listed investments held in Great Britain at 31 March 2003 comprises a holding by Burberry Group plc of 1.4m of its own ordinary shares held to hedge National Insurance liabilities in respect of certain Burberry share option schemes (see Note 35).

21. Creditors – amounts due within one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Loans and overdrafts (Note 23)	**747**	730	**61**	289
Obligations under finance leases	**8**	4	**–**	–
Trade creditors	**527**	337	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**4,156**	4,088
Amounts owed to associated undertakings	**4**	3	**–**	–
Taxation	**48**	51	**–**	–
VAT and other taxes payable	**88**	48	**–**	–
Social security costs	**40**	34	**–**	–
Accruals	**745**	539	**38**	16
Other creditors	**328**	273	**22**	19
Proposed final dividend	**164**	152	**164**	152
	2,699	2,171	**4,441**	4,564

22. Creditors – amounts due after more than one year

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Loans (Note 23)	**1,672**	800	**1,452**	652
Obligations under finance leases:				
Repayable in one to two years	**6**	5	**–**	–
Repayable in two to five years	**5**	1	**–**	–
Accruals	**61**	32	**–**	–
Other creditors	**47**	27	**–**	–
	1,791	865	**1,452**	652

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23. Loans and overdrafts

	Group 2003 £m	Group 2002 £m	Company 2003 £m	Company 2002 £m
Repayable wholly within five years:				
€500m 5.125% Eurobonds 2004	**344**	304	**344**	304
€600m 4.125% Eurobonds 2007	**413**	–	**413**	–
4.0% Perpetual Securities	**72**	–	**–**	–
4.9% Perpetual Securities	**148**	–	**–**	–
Multi-Currency loans	**600**	469	**50**	161
Floating rate unsecured loan notes 2003	**–**	42	**–**	42
Other loans	**78**	135	**10**	85
Overdrafts	**69**	84	**1**	1
	1,724	1,034	**818**	593
Repayable after more than five years:				
£350m 6.375% Eurobonds 2009	**348**	348	**348**	348
£350m 5.625% Eurobonds 2013	**347**	–	**347**	–
4.9% Perpetual Securities	**–**	148	**–**	**–**
	2,419	1,530	**1,513**	941
The amounts due to be repaid within five years are repayable as follows:				
Within one year	**747**	730	**61**	289
Between one and two years	**344**	–	**344**	–
Between two and five years	**633**	304	**413**	304
	1,724	1,034	**818**	593

The floating rate unsecured loan notes 2003 were issued in the year ended 31 March 1999 in connection with the acquisition of Argos and the balance outstanding was redeemed at par on 31 March 2003.

24. Provisions for liabilities and charges

	Deferred taxation £m	Pensions and similar obligations £m	Total £m
Group			
At 1 April 2002	56	70	126
Differences on exchange	2	–	2
Profit and loss account	28	36	64
Payments	–	(47)	(47)
Acquisition of subsidiaries	(6)	–	(6)
Transfers	(1)	–	(1)
At 31 March 2003	**79**	**59**	**138**

	Pensions and similar obligations £m
Company	
At 1 April 2002	36
Profit and loss account	1
Payments	(4)
Transfers	(7)
At 31 March 2003	**26**

	Group 2003 £m	Group 2002 £m
The provision for deferred taxation comprises:		
Accelerated capital allowances	**9**	6
Other timing differences	**174**	135
Undiscounted provision for deferred taxation	**183**	141
Discount	**(104)**	(85)
Discounted provision for deferred taxation	**79**	56
Unprovided deferred taxation – property revaluations	**2**	6

There is no unprovided deferred taxation on property revaluations for the Company (2002 nil).

The Group's share of unprovided deferred taxation in respect of property revaluations of BL Universal PLC is £22m (2002 £18m).

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 £111m (2002 £63m).

25. Called up share capital

	2003 £m	2002 £m
Ordinary shares of 25p each		
Authorised	**313**	313
Allotted and fully paid	**252**	252

At 31 March 2003, 1,007,132,916 Ordinary shares had been allotted, called up and fully paid. During the year ended 31 March 2003, 660,849 Ordinary shares were issued for a consideration of £2,700,860 in connection with the exercise of share options and 190,000 Ordinary shares were cancelled on their purchase by the Company.

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 2002	3	121	2,041	3	1,966
Goodwill on closure of Innovations	–	–	19	–	–
Differences on exchange	–	1	70	–	–
Profit for the year	–	–	19	–	66
Revaluation of property	–	17	(2)	–	–
Revaluation surplus realised on disposals	–	(8)	8	–	–
Premium on shares issued under share option schemes	3	–	–	3	–
Reserve movement on shares cancelled on purchase	–	–	(1)	–	(1)
At 31 March 2003	**6**	**131**	**2,154**	**6**	**2,031**

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

	Subsidiary undertakings £m	Associated undertakings £m	Total £m
At 1 April 2002	1,732	31	1,763
Goodwill on closure of Innovations	(19)	–	(19)
At 31 March 2003	**1,713**	**31**	**1,744**

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 £30m (2002 £4m) arising on borrowings denominated in foreign currencies and currency swaps designated as hedges of net investments overseas. This amount includes a gain of £30m (2002 £9m) on the currency swaps designated as hedges of net investments overseas.

27. Commitments

	2003 £m	2002 £m
(a) Group capital commitments		
Capital expenditure for which contracts have been placed	**63**	104

There are no significant commitments relating to the Company. The Group's share of the capital commitments of BL Universal PLC at 31 March 2003 is £1m (2002 nil).

(b) Operating lease commitments	2003 Land & buildings £m	2003 Plant & equipment £m	2002 Land & buildings £m	2002 Plant & equipment £m
Group				
Annual commitments where the commitment expires:				
Within one year	**5**	**5**	11	16
Within two to five years	**36**	**25**	35	21
In more than five years	**252**	**–**	99	2
	293	**30**	145	39

	2003 Land & buildings £m	2002 Land & buildings £m
Company		
Annual commitments where the commitment expires in more than five years	**2**	2

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28. Contingent liabilities

The Company has guaranteed liabilities of subsidiary undertakings amounting to £618m (2002 £351m) including guarantees in respect of borrowings by subsidiary undertakings of £618m (2002 £348m).

On 19 February 2003, the Office of Fair Trading ruled that Argos had been involved in price fixing activity with Littlewoods and Hasbro. As a result, Argos has been fined £17m. An appeal has been lodged against the ruling and no provision has been made in respect of this fine in the financial statements as, on the basis of advice received, the directors believe that the appeal will be successful.

29. Related party transactions

During the year Experian companies made net sales and recharges to associated undertakings of £20m (2002 £15m).

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

Experian has built and occupied a new US headquarters facility at Costa Mesa, California. In this connection an amount of £15m ($24m) was paid in the year ended 31 March 2000 to First American Real Estate Solutions, an associated undertaking of the Group, as escrow agent. During the year ended 31 March 2001, an amount of £13m ($21m) was released to the vendor; at 31 March 2003 no further amounts had been released.

30. Foreign currency

The principal exchange rates used were as follows:

	Average		Closing	
	2003	2002	**2003**	2002
US dollar	**1.55**	1.43	**1.58**	1.43
South African rand	**14.89**	13.52	**12.48**	16.15
Euro	**1.55**	1.62	**1.45**	1.64

31. Notes to the Group cash flow statement

	2003 £m	2002 £m
(a) Net cash flow from operating activities		
Operating profit	**446**	397
Depreciation and amortisation charges	**407**	338
Increase in stocks	**(51)**	(23)
Increase in debtors	**(211)**	(186)
Increase in creditors	**281**	22
Decrease in provisions for liabilities and charges	**(12)**	(8)
Net cash inflow from operating activities	**860**	540
(b) Returns on investments and servicing of finance		
Interest received	**20**	23
Interest paid	**(28)**	(65)
Interest element of finance lease rental payments	**(1)**	(1)
Dividends paid to minority interests	**(2)**	–
Net cash outflow for returns on investments and servicing of finance	**(11)**	(43)
(c) Capital expenditure		
Purchase of fixed assets	**(347)**	(332)
Sale of fixed assets	**18**	10
Net cash outflow for capital expenditure	**(329)**	(322)
(d) Financial investment		
Purchase of own shares	**(22)**	(21)
Purchase of other fixed asset investments	**(4)**	(7)
Sale of fixed asset investments	**8**	7
Loans repaid by BL Universal PLC	**5**	6
Net cash outflow for financial investment	**(13)**	(15)

31. Notes to the Group cash flow statement continued

	2003 £m	2002 £m
(e) Acquisition of subsidiaries		
Purchase of subsidiary undertakings (note (k))	**(1,249)**	(38)
Net cash acquired with subsidiary undertakings (note (k))	**8**	4
Net cash outflow for acquisition of subsidiaries	**(1,241)**	(34)
(f) Disposal of subsidiaries		
Proceeds of Initial Public Offering of Burberry (note (l))	**239**	–
Sale of subsidiary undertakings (note (l))	**–**	6
Net cash inflow from disposal of subsidiaries	**239**	6
(g) Management of liquid resources		
Purchase of investments	**(49)**	(8)
Increase in term deposits (other than overnight deposits)	**(85)**	(10)
Net cash outflow from management of liquid resources	**(134)**	(18)
(h) Financing		
Debt due within one year:		
Repayment of borrowings	**(165)**	(573)
New borrowings	**285**	516
Debt due after more than one year:		
Repayment of borrowings	**–**	(7)
New borrowings	**814**	148
Capital element of finance lease rental payments	**–**	(9)
Net cash inflow from financing	**934**	75

(i) Analysis of net debt	At 1 April 2002 £m	Cash flow £m	Acquisitions (excluding cash and overdrafts) £m	Other non-cash changes £m	Exchange movement £m	At 31 March 2003 £m
Cash at bank and in hand (including overnight deposits)	84	(45)	–	–	–	**39**
Overdrafts	(84)	15	–	–	–	**(69)**
	–	(30)	–	–	–	**(30)**
Debt due after one year	(800)	(814)	–	–	(58)	**(1,672)**
Debt due within one year	(646)	(120)	–	–	88	**(678)**
Finance leases	(10)	–	(2)	(7)	–	**(19)**
	(1,456)	(934)	(2)	(7)	30	**(2,369)**
Liquid resources:						
Term deposits	119	85	–	–	–	**204**
Current asset investments (including certificates of deposit)	53	49	–	–	7	**109**
	172	134	–	–	7	**313**
Total	(1,284)	(830)	(2)	(7)	37	**(2,086)**

Including non-recourse borrowings of nil (2002 £201m), total borrowings at the end of the year were £2,086m (2002 £1,485m).

(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 £7m (2002 £5m).

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31. Notes to the Group cash flow statement continued

(k) Acquisition of subsidiary undertakings	2003 £m	2002 £m
Net assets acquired:		
Fixed assets	**248**	15
Current assets:		
Stocks	**216**	2
Debtors	**46**	12
Bank balances and cash	**41**	5
Creditors (including overdrafts of £33m (2002 £1m))	**(429)**	(22)
Provisions for liabilities and charges	**6**	1
	128	13
Goodwill	**1,150**	35
	1,278	48
Satisfied by:		
Cash	**1,232**	37
Acquisition expenses	**17**	1
	1,249	38
Deferred consideration	**29**	10
	1,278	48

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

(l) Disposal of subsidiaries	2003 Initial Public Offering of Burberry £m	2002 Sale of businesses £m
Fixed assets	–	10
Current assets:		
Stocks	–	2
Debtors	–	7
Creditors	–	(5)
Provisions for liabilities and charges	–	(1)
	–	13
Profit on Initial Public Offering of Burberry	**162**	–
Loss on sale of businesses	–	(6)
	162	7
Satisfied by:		
Cash	**239**	6
Deferred consideration	–	1
Creation of minority interest	**(77)**	–
	162	7

Subsidiary undertakings disposed of during the year ended 31 March 2002 had no material impact on the cash flows of the Group.

32. Acquisitions

Details of significant acquisitions are given in the Directors' Report on page 32.

(a) Acquisition accounting

The assets and liabilities acquired in the year were as follows:

	Book value £m	Fair value adjustments £m	Accounting policy alignments £m	Fair value £m
(i) Homebase				
Fixed assets	240	–	3	243
Current assets:				
Stocks	229	6	(25)	210
Debtors	28	–	–	28
Bank balances and cash	33	–	–	33
Creditors	(338)	(11)	(3)	(352)
Provisions for liabilities and charges	–	2	6	8
Net assets acquired	192	(3)	(19)	170
Goodwill				765
				935
Satisfied by:				
Cash				929
Acquisition expenses				6
				935
(ii) Other acquisitions				
Fixed assets	8	(3)	–	5
Current assets:				
Stocks	14	(8)	–	6
Debtors	21	(3)	–	18
Bank balances and cash	8	–	–	8
Creditors	(73)	(4)	–	(77)
Provisions for liabilities and charges	(4)	2	–	(2)
Net assets acquired	(26)	(16)	–	(42)
Goodwill				385
				343
Satisfied by:				
Cash				303
Acquisition expenses				11
Deferred consideration				29
				343
(iii) Total				
Fixed assets	248	(3)	3	248
Current assets:				
Stocks	243	(2)	(25)	216
Debtors	49	(3)	–	46
Bank balances and cash	41	–	–	41
Creditors	(411)	(15)	(3)	(429)
Provisions for liabilities and charges	(4)	4	6	6
Net assets acquired	166	(19)	(19)	128
Goodwill				1,150
				1,278
Satisfied by:				
Cash				1,232
Acquisition expenses				17
Deferred consideration				29
				1,278

In view of the proximity of the Homebase acquisition and certain other acquisitions to the Group's year end and the necessary estimates involved, the fair value adjustments are on a provisional basis.

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for the year ended 31 March 2003

32. Acquisitions continued

(iv) The fair value adjustments and accounting policy alignments comprise:	Fair value adjustments £m	Accounting policy alignments £m
Homebase		
Fixed assets:		
Write back of store impairments	–	3
Stocks:		
Revised basis for calculating provisions for obsolete stocks	6	(25)
Creditors:		
Supplier invoices under query	(5)	(3)
Provisions for dilapidations at depots	(6)	–
Provisions for liabilities and charges:		
Deferred tax in respect of fair value adjustments and accounting policy alignments	2	6
Other acquisitions		
Fixed assets:		
Provision in respect of fixed asset impairments	(3)	–
Stocks:		
Revised basis for calculating provisions for obsolete stocks	(8)	–
Debtors:		
Provision in respect of irrecoverable debtor balances	(3)	–
Creditors:		
Provisions in respect of unrecorded liabilities	(4)	–
Provisions for liabilities and charges:		
Deferred tax in respect of fair value adjustments	2	–
	(19)	(19)

(b) Pre-acquisition trading

The profit and loss account of Homebase for the period 3 February 2002 up to the acquisition date of 20 December 2002 comprised:

	£m
Turnover	1,271
Profit before interest and taxation (after charging goodwill of £6m)	96
Net interest	(31)
Profit on ordinary activities before taxation	65
Tax on profit on ordinary activities	(26)
Profit on ordinary activities after taxation	39

In the 44 week period from 1 April 2001 to 2 February 2002 the profit after taxation of Homebase was £11m, which was after a charge of £7m in respect of goodwill. There were no other recognised gains and losses in that period. There were no sales to, or purchases from, subsidiary undertakings of GUS plc by Homebase in the period from 1 April 2002 up to the acquisition date of 20 December 2002.

33. Financial instruments

The Financial Review on pages 26 to 29 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 2003 and 31 March 2002 the Group had no material currency exposures after taking account of forward contracts.

(b) Borrowing facilities

At 31 March 2003 the Group had undrawn committed borrowing facilities available of £566m (2002 £381m) of which nil (2002 £139m) expires within one year of the balance sheet date, £566m (2002 nil) expires between one and two years from the balance sheet date and nil (2002 £242m) expires 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:

	2003 Book value £m	**2003 Fair value £m**	2002 Book value £m	2002 Fair value £m
Fixed asset investments:				
Loans to joint venture	**82**	**82**	87	87
Other investments	**7**	**9**	9	9
Debtors due after more than one year	**265**	**265**	200	200
Securitised receivables	**–**	**–**	62	62
Current asset investments	**109**	**107**	53	52
Bank balances and cash	**243**	**243**	203	203
Financial assets	**706**	**706**	614	613
Loans and overdrafts	**(2,419)**	**(2,473)**	(1,530)	(1,531)
Finance leases – amounts due within one year	**(8)**	**(8)**	(4)	(4)
Finance leases – amounts due after more than one year	**(11)**	**(11)**	(6)	(6)
Other creditors – amounts due after more than one year	**(108)**	**(108)**	(59)	(59)
	(1,840)	**(1,894)**	(985)	(987)
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate swaps	**–**	**38**	–	15
Currency swaps and forward foreign currency contracts	**(25)**	**(27)**	2	7

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 fair value of foreign currency contracts is based on a comparison of the contractual and year end exchange rates.

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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 2003						
Finance Division – sterling	18	–	–	18	–	–
European Home Shopping – euro	149	–	–	149	–	–
South African Retailing – rand	–	30	–	30	29	2
Other	4	29	35	68	6	4
Total	**171**	**59**	**35**	**265**		
At 31 March 2002						
Finance Division – sterling	72	–	–	72	–	–
European Home Shopping – euro	129	–	–	129	–	–
South African Retailing – rand	–	23	–	23	23	2
Other	19	1	18	38	–	–
Total	220	24	18	262		

The floating rate assets 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 and currency 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 2003						
Sterling	360	638	37	1,035	5	8
US Dollar	979	1	34	1,014	–	–
Rand	82	2	–	84	–	–
Euro	30	347	26	403	5	1
Other	–	–	10	10	–	–
Total	**1,451**	**988**	**107**	**2,546**		
At 31 March 2002						
Sterling	12	178	21	211	5	4
US Dollar	999	8	8	1,015	–	–
Rand	6	1	–	7	–	–
Euro	29	307	27	363	5	2
Other	–	–	3	3	–	–
Total	1,046	494	59	1,599		

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:

	2003 £m	2002 £m
In one year or less	**755**	734
In one to two years	**408**	31
In two to five years	**667**	323
In more than five years	**716**	511
	2,546	1,599

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 2003 and 31 March 2002, the Group had no material deferred foreign currency gains. An analysis of unrecognised gains and losses on hedging is shown below:

Year ended 31 March 2003	Unrecognised gains £m	Unrecognised losses £m	Total unrecognised gains/(losses) £m
On hedges at 1 April 2002	20	–	20
Arising before 1 April 2002 and recognised during the year ended 31 March 2003	(3)	–	(3)
Arising during the year and not included in current year income	21	(2)	19
At 31 March 2003	**38**	**(2)**	**36**
Expected to be recognised in 2004	6	(2)	4
Expected to be recognised thereafter	32	–	32
Year ended 31 March 2002			
On hedges at 1 April 2001	30	–	30
Arising before 1 April 2001 and recognised during the year ended 31 March 2002	(14)	–	(14)
Arising during the year and not included in current year income	4	–	4
At 31 March 2002	**20**	**–**	**20**
Expected to be recognised in 2003	3	–	3
Expected to be recognised thereafter	17	–	17

34. Employees

	2003			2002 (Restated) (Note 1)		
	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						
Experian North America	**5,653**	**15**	**5,667**	5,927	5	5,930
Experian International	**6,461**	**978**	**6,902**	5,993	820	6,431
	12,114	**993**	**12,569**	11,920	825	12,361
Argos Retail Group						
Argos	**8,516**	**18,869**	**15,703**	8,262	17,980	14,560
Homebase	**1,018**	**2,005**	**1,804**	–	–	–
Home Shopping – UK & Ireland	**12,044**	**7,140**	**17,592**	12,831	7,043	17,891
Financial Services	**65**	**5**	**68**	50	5	54
Home Shopping – Continental Europe	**842**	**815**	**1,293**	824	736	1,224
	22,485	**28,834**	**36,460**	21,967	25,764	33,729
Burberry	**3,459**	**386**	**3,646**	2,967	223	3,077
South African Retailing	**5,513**	**486**	**5,674**	5,561	750	5,811
Other	**179**	**1**	**179**	233	1	233
	43,750	**30,700**	**58,528**	42,648	27,563	55,211

The employee numbers for Homebase cover the period from its acquisition on 20 December 2002 on a pro rata basis. At its balance sheet date there were 5,926 full time employees and 10,941 part time employees.

The aggregate payroll costs for the Group were as follows:	**2003 £m**	2002 £m
Wages and salaries	**1,106**	1,027
Social security costs	**132**	120
Other pension costs	**57**	44
	1,295	1,191

Details of the remuneration, shareholdings and share options of the directors are included in the Report on Directors' Remuneration and Related Matters on pages 41 to 50.

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for the year ended 31 March 2003

35. Share options and awards

(a) Options and awards in respect of the Ordinary shares of the Company

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

During the year ended 31 March 2003, awards were made under these plans in respect of 641,288 (2002 568,620) Ordinary shares in the Company. At 31 March 2003 awards in respect of 2,240,617 (2002 1,679,946) 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 41 to 50.

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. No shares were transferred during the year ended 31 March 2003.

(ii) Awards under The GUS plc Co-Investment Plan

During the year ended 31 March 2003, awards were made under this plan in respect of 1,075,793 (2002 nil) Ordinary shares in the Company. At 31 March 2003 awards in respect of 1,075,793 (2002 nil) Ordinary shares remained outstanding and, as indicated in Note 16, shares have been purchased by The GUS plc ESOP Trust No. 3 to meet obligations under this plan. These awards include those granted to directors, further details of which are contained in the Report on Directors' Remuneration and Related Matters on pages 41 to 50.

(iii) 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 2003	Number of shares 2002	Exercise price	Period of exercise
82,814	136,674	580.2p	From 09.12.2001 to 08.12.2008
73,165	132,349	690.2p	From 23.06.2002 to 22.06.2009
3,279,678	3,688,374	375.7p	From 07.04.2003 to 06.04.2010
81,737	81,737	428.2p	From 07.08.2003 to 06.08.2010
102,848	192,674	526.0p	From 06.12.2003 to 05.12.2010
5,481,264	5,838,017	612.7p	From 11.06.2004 to 10.06.2011
398,638	398,638	635.0p	From 17.12.2004 to 16.12.2011
4,092,505	–	653.0p	From 06.06.2005 to 05.06.2012
1,449,917	–	554.0p	From 23.12.2005 to 22.12.2012
15,042,566	10,468,463		

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 41 to 50.

During the year ended 31 March 2003, 478,676 (2002 379,839) Ordinary shares were issued following the exercise of such share options.

(iv) 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 2003	Number of shares 2002	Exercise price	Period of exercise
1,928,134	2,256,409	381.3p	From 14.06.2001 to 13.06.2006
21,085	32,472	526.0p	From 06.12.2001 to 05.12.2006
2,240,119	2,600,011	612.7p	From 11.06.2002 to 10.06.2007
2,276,289	–	653.0p	From 06.06.2003 to 05.06.2008
105,743	–	554.0p	From 23.12.2003 to 22.12.2008
6,571,370	4,888,892		

These options include those granted to a director of the Company, further details of which are contained in the Report on Directors' Remuneration and Related Matters on pages 41 to 50.

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 2003, 185,429 (2002 112,936) Ordinary shares were transferred from the Trust to beneficiaries on the exercise of options.

35. Share options and awards continued

(v) Options under The GUS plc Savings Related Share Option Scheme, The GUS plc Savings Related Share Option Scheme (Ireland) and The GUS plc International Savings Related Share Option Scheme

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

Number of shares 2003	Number of shares 2002	Exercise price	Period of exercise
4,401,915	5,160,970	384.0p	From 01.05.2004 to 31.10.2004
4,381,845	5,073,644	384.0p	From 01.05.2006 to 31.10.2006
1,717,140	–	523.0p	From 01.09.2005 to 28.02.2006
1,343,361	–	523.0p	From 01.09.2007 to 29.02.2008
11,844,261	10,234,614		

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 41 to 50.

During the year ended 31 March 2003, 182,173 (2002 23,753) Ordinary shares were issued following the exercise of such share options.

(vi) Other share schemes

At 31 March 2003, £240,000 (2002 nil) was held in savings based share schemes in France and the United States which gives a right to acquire 58,409 Ordinary shares in the Company.

(b) Options and awards in respect of ordinary shares of Burberry Group plc

(i) The Burberry Senior Executive Restricted Share Plan (the "RSP")

On 11 July 2002 awards in respect of 8,100,198 ordinary shares were made to directors and senior management of Burberry Group plc under the RSP.

At 31 March 2003 awards in respect of 8,055,198 ordinary shares remained outstanding and shares have been purchased by the Burberry Employee Share Ownership Trusts ("ESOT's") to cover the Employer's National Insurance liability (or overseas equivalent) arising on this plan. The cost of the RSP shares (including the shares acquired to cover Employer's National Insurance liability thereon) has been provided for as an exceptional item in the year ended 31 March 2003. No shares were issued during the year in respect of the RSP.

Participants' awards were made in the form of options with an exercise price of nil. The unexercised awards granted under this scheme in respect of ordinary shares of Burberry Group plc are as follows:

Number of shares 2003	Exercise price	Period of exercise
4,027,600	nil	From 11.07.2005 to 11.07.2012
2,013,799	nil	From 11.07.2006 to 11.07.2012
2,013,799	nil	From 11.07.2007 to 11.07.2012
8,055,198		

(ii) The Burberry Senior Executive IPO Share Option Scheme ("the IPO Option Scheme")

On 11 July 2002 awards in respect of 5,955,198 ordinary shares were made to directors and senior management of Burberry Group plc under the IPO Option Scheme.

At 31 March 2003 awards in respect of 5,830,198 ordinary shares remained outstanding and shares have been purchased by the Burberry ESOT's to hedge the Employer's National Insurance liability that may arise in respect of this scheme. No shares were issued during the year in respect of the share options granted.

Participants' awards were made in the form of options with an exercise price equal to the price at IPO of 230 pence per share. The unexercised awards granted under this scheme in respect of ordinary shares of Burberry Group plc are as follows:

Number of shares 2003	Exercise price	Period of exercise
1,943,399	230.0p	From 11.07.2003 to 11.07.2012
1,943,399	230.0p	From 11.07.2004 to 11.07.2012
1,943,400	230.0p	From 11.07.2005 to 11.07.2012
5,830,198		

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35. Share options and awards continued

(iii) All Employee Share Plan

On flotation, all Burberry employees were offered shares in Burberry Group plc under the All Employee Share offer. A total of 413,700 shares with a value of £1m were awarded to employees, and the options over the awards have an exercise price of nil.

At IPO, Burberry Group plc purchased 421,450 shares at an aggregate cost of £1m in respect of these awards and the Employer's National Insurance liability (or overseas equivalent) arising thereon. These shares are held in two trusts, The Burberry Group Share Incentive Plan and the Burberry Group plc ESOP Trust. The shares must be held in trust for between three and five years. The cost of these shares has been written off as an exceptional item in the year ended 31 March 2003.

At 31 March 2003 there were awards granted and remaining outstanding under this scheme in respect of 400,300 ordinary shares in Burberry Group plc and these can be exercised from July 2005.

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 principally 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 schemes in other countries being either defined contribution or state sponsored schemes.

(a) Pension costs

Pension costs are determined in accordance with SSAP 24 with supplementary disclosures in accordance with the transitional arrangements of FRS 17.

The total pension cost for the Group was £57m (2002 £44m) of which £14m (2002 £10m) related to overseas plans. Accrued pension costs in respect of the defined benefit schemes and other pension liabilities amounted to £47m (2002 £58m) and are included in Provisions for liabilities and charges (Note 24). Accrued pension costs include £30m (2002 £26m) 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	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 £327m. On the above assumptions, this represented 100% of the value of benefits that had accrued to members. Since that date the Company has made special contributions to the Scheme of £18m, of which £10m has been made in the year under review.

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 LLP, using the projected unit method.

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

Valuation rate of interest	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 £217m. This represented 98% of the benefits that had accrued to members. Since that date, and during the year under review, Argos Limited has made a special contribution to the Scheme of £10m.

36. Pensions and other post-retirement benefits continued

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 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 £8m (2002 £8m). Contributions totalling £1m (2002 £1m) were payable to the fund at 31 March 2003 and are included in creditors.

(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 2003 of £12m (2002 £12m) is included in Provisions for liabilities and charges (Note 24).

Premiums paid in the year were £1m (2002 £1m) and the total cost for the Group was £1m (2002 £1m).

(c) Disclosures made in accordance with FRS 17

Under the transitional arrangements of FRS 17, 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 2003, contributions to the Group's defined benefit schemes amounted to £48m.

The last full valuations of the schemes, which used the projected unit method of valuation, 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 for FRS 17 purposes were as follows:

UK Schemes

	GUS 2003 %	**Argos 2003 %**	GUS 2002 %	Argos 2002 %
Rate of inflation	**2.5**	**2.5**	2.5	2.5
Rate of salary increases	**4.3**	**4.3**	4.3	4.3
Rate of increase for pensions in payment and deferred pensions	**2.5**	**2.5**	2.5	2.5
Discount rate	**5.5**	**5.5**	6.0	6.0

Overseas Schemes

	USA 2003 %	**South Africa 2003 %**	**Netherlands 2003 %**	USA 2002 %	South Africa 2002 %	Netherlands 2002 %
Rate of inflation	**2.0**	**7.0**	**2.5**	2.0	8.0	2.0
Rate of salary increases	**4.0**	**8.0**	**4.0**	4.0	12.5	4.0
Rate of increase for pensions in payment and deferred pensions	**–**	**5.0**	**2.5**	–	5.0	1.0
Discount rate	**6.5**	**10.0**	**5.3**	6.5	15.0	6.0

Notes to the financial statements

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36. Pensions and other post-retirement benefits continued

Scheme assets and expected rates of return

The assets of the Group's defined benefit schemes and the expected rates of return are summarised as follows:

	UK		Overseas		UK		Overseas	
	Fair value 2003 £m	**Expected long-term rate of return 2003 %pa**	**Fair value 2003 £m**	**Expected long-term rate of return 2003 %pa**	Fair value 2002 £m	Expected long-term rate of return 2002 %pa	Fair value 2002 £m	Expected long-term rate of return 2002 %pa
Market value of schemes' assets:								
Equities	**318**	**8.5**	**49**	**8.5**	406	8.0	54	9.8
Fixed interest securities	**120**	**5.0**	**46**	**5.0**	132	5.0	48	5.4
Property	**–**	**–**	**–**	**–**	–	–	1	18.0
Other	**33**	**4.0**	**11**	**4.0**	16	5.0	10	8.3
	471	**7.3**	**106**	**6.5**	554	7.2	113	7.9

The following amounts were measured in accordance with the requirements of FRS 17:

	UK		Overseas	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Market value of schemes' assets	**471**	554	**106**	113
Present value of schemes' liabilities	**(710)**	(599)	**(127)**	(111)
(Deficit)/surplus in the schemes	**(239)**	(45)	**(21)**	2
Liability for post-retirement healthcare and unfunded pension arrangements	**(41)**	(45)	**(6)**	(5)
	(280)	(90)	**(27)**	(3)
Related deferred tax assets	**84**	27	**8**	1
Net pension liability	**(196)**	(63)	**(19)**	(2)

Movement in (deficit)/surplus during the year:

	UK		Overseas	
	£m	£m	£m	£m
(Deficit)/surplus at 1 April 2002		(45)		2
Movement:				
Current service cost	(32)		(4)	
Contributions	47		1	
Other finance income	5		–	
Actuarial loss	(214)	(194)	(20)	(23)
Deficit at 31 March 2003		**(239)**		**(21)**

Disclosure of the effect of the adoption of FRS 17 on the financial statements:

As indicated above, the Group continues to account for pension costs in accordance with SSAP 24 but, in accordance with the transitional requirements of FRS 17, disclosure is required of the amounts that would have been recognised under FRS 17. The disclosures are as follows:

(i) Profit and loss account
If FRS 17 had been adopted in full in the financial statements, the amounts charged in the profit and loss account would have comprised:

	UK 2003 £m	**Overseas 2003 £m**
Amount charged to operating profit in respect of defined benefit schemes:		
Current service cost	**(32)**	**(4)**
Amount credited/(charged) to net interest:		
Expected return on schemes' assets	**40**	**8**
Interest on schemes' liabilities	**(35)**	**(8)**
Amount credited as Other finance income	**5**	**–**

36. Pensions and other post-retirement benefits continued

(ii) Statement of total recognised gains and losses
If FRS 17 had been adopted in full in the financial statements, the amount recognised in the statement of total recognised gains and losses would have comprised:

	UK 2003 £m	Overseas 2003 £m
Actual return less expected return on schemes' assets (see Note (iv))	**(156)**	**(21)**
Experience gains and losses arising on the schemes' liabilities (see Note (iv))	**11**	**15**
Changes in the assumptions underlying the present value of the schemes' liabilities	**(69)**	**(14)**
Actuarial loss recognised in the statement of total recognised gains and losses	**(214)**	**(20)**

(iii) Balance sheet
Of the net pension liability, £40m (2002 £48m) (net of deferred tax) has been recognised in the financial statements 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 would have been as follows:

	2003 £m	2003 £m	2002 £m	2002 £m
Net assets per balance sheet		**2,640**		2,423
Elimination of liabilities under SSAP 24	**40**		48	
Net pension liability under FRS 17	**(215)**	**(175)**	(65)	(17)
Net assets including net pension liability		**2,465**		2,406
Profit and loss account reserve per balance sheet		**2,154**		2,041
Elimination of liabilities under SSAP 24	**40**		48	
Net pension liability under FRS 17	**(215)**	**(175)**	(65)	(17)
Profit and loss account reserve including net pension liability		**1,979**		2,024

(iv) Experience gains and losses	UK 2003	Overseas 2003
Difference between the actual and expected return on schemes' assets:		
Amount (£m)	**(156)**	**(21)**
Percentage of schemes' assets	**33.2%**	**19.8%**
Experience gains and losses on schemes' liabilities:		
Amount (£m)	**11**	**15**
Percentage of the present value of schemes' liabilities	**1.6%**	**11.9%**
Total amount recognised in the statement of total recognised gains and losses:		
Amount (£m)	**(214)**	**(20)**
Percentage of the present value of schemes' liabilities	**30.1%**	**16.1%**