

Directors' report

The directors present their Annual Report together with the audited financial statements for the year ended 31 March 2003.

Principal activities and business review

GUS is a retail and business services group. It provides business information and customer relationship management services globally through Experian, general merchandise retailing and home delivery through Argos Retail Group and luxury goods through its 77 per cent holding in Burberry. The activities of Argos Retail Group were widened through the acquisition of Homebase in December 2002 and, on 27 May 2003, the Group announced the disposal of its Home Shopping businesses in the UK, Ireland and Sweden, together with Reality, its logistics and customer care business in the UK. GUS also has UK Property interests and owns a retailing business in South Africa. The review of the results for the year and an indication of future developments appear on pages 2 to 29.

Profit and dividends

The profit for the year amounts to £251m (2002 £257m). An interim dividend of 6.9p was paid to the Ordinary shareholders of the Company on 7 February 2003 and, on 27 May 2003, the directors recommended the payment, on 8 August 2003, of a final dividend of 16.4p, giving a total dividend for the year of 23.3p (2002 21.7p). The final dividend, once approved, will be paid to those persons on the Register of Members at the close of business on 11 July 2003.

Directors

The names and biographical details of the directors holding office at the date of this report are shown on pages 30 and 31. Particulars of directors' emoluments and their interests in the shares of the Company and its subsidiaries are shown in the Report on Directors' Remuneration and Related Matters on pages 41 to 50. There were no changes in the directors' interests in shares between the end of the financial year and 27 May 2003.

Victor Barnett retired from the Board on 1 July 2002.

Craig Smith was appointed a director on 25 March 2003. As the appointment was made after the date of the last Annual General Meeting, he will retire in accordance with the Company's Articles of Association and a resolution proposing his re-election will be proposed at the Annual General Meeting.

The directors retiring by rotation at this year's Annual General Meeting are Lord Harris of Peckham, Lady Patten of Wincanton, John Peace and Oliver Stocken who, being eligible, offer themselves for re-election. Lord Harris will offer himself for re-election annually in the light of his length of service as a non-executive director.

Details of directors' service contracts are set out in the Report on Directors' Remuneration and Related Matters on page 49.

During the year, the Company maintained liability insurance for its directors and officers.

Corporate governance

The Company's statement on Corporate Governance is set out on pages 34 to 39.

Acquisitions and disposals

The partial flotation of Burberry was successfully completed on 12 July 2002 through an Initial Public Offering which saw approximately 23 per cent of Burberry shares pass to external investors. The offer price amounted to 230p per share producing net proceeds of £239m.

On 21 November 2002, GUS announced that it had made an agreed offer to acquire the whole of the share capital of Homebase. The transaction was completed on 20 December 2002 for a consideration of £902m.

As reported last year, Experian North America acquired ConsumerInfo.com in April 2002 for a consideration of \$130m payable in cash. Other significant acquisitions made in the year under review were Nordic Information Group and the remainder of the issued share capital in the Group's existing investment in Scorex, the total consideration for these transactions being £160m.

Post balance sheet event

On 27 May 2003, the Group announced the disposal of its home shopping businesses in the UK, Ireland and Sweden together with Reality, its logistics and customer care business in the UK. The disposal of the UK Home Shopping business and Reality is unconditional. The disposal of the Irish and Swedish businesses is conditional on regulatory approval.

The businesses have been sold for about £590m. The initial consideration for the UK businesses was approximately £410m. The balance, payable on completion following regulatory clearance in Ireland and Sweden, is £40m. Additionally, there is an unconditional consideration of about £140m payable in three years' time.

Substantial shareholding

As at 27 May 2003, the Company had been notified that Legal & General Investment Management Limited held 35,279,930 Ordinary shares which represented 3.5 per cent of the issued share capital of the Company at that date.

Save for the above, no person has reported any material interest of 3 per cent or more or any non-material interest exceeding 10 per cent of the issued Ordinary share capital of the Company.

Purchase of own shares

At last year's Annual General Meeting, authority was given for the Company to purchase, in the market, up to 100m of its shares, representing approximately 9.9 per cent of its issued Ordinary share capital.

On 24 September 2002, the Company made a market purchase of 190,000 Ordinary shares with a nominal value of £47,500 and representing 0.02 per cent of the called up Ordinary share capital at that time. The total consideration paid was £895,000. The purchase was made in order to enhance shareholder value through an increase in earnings per share.

The authority to make market purchases expires at this year's Annual General Meeting when shareholders will be asked again to give a similar authority. Details are contained in the accompanying Circular to Shareholders.

Interests in own shares

Details of the Company's interests in its own shares are set out in note 16(b) to the financial statements on page 70.

Annual General Meeting

The eighty-fifth Annual General Meeting of the Company will be held at the Marriott Grosvenor Square, Grosvenor Square, London W1A 4AW at 11.30am on Wednesday 23 July 2003. The Notice of Meeting is included in a separate Circular to Shareholders which accompanies this Annual Report.

Corporate social responsibility

Last year, the Company published its first separate Corporate Social Responsibility report. This year's report will be published on the Company's website, www.gusplc.com, with a briefer report printed in hard copy form. This is available on request from the Company Secretary. In addition there is a section on Corporate Social Responsibility on pages 51 and 52.

Donations

The Group's support for charitable causes is channelled through the work of the GUS Charitable Trust. The Trust's income from the Company in respect of the year ended 31 March 2003 was £963,000.

The Group made no political donations and incurred no items of political expenditure.

Employment policies

The GUS Group consists of a number of businesses operating in different sectors. While employment practices may vary between these businesses, the Group is, nevertheless, committed to ensuring that:-

- All employees receive fair and equal treatment irrespective of gender, ethnic origin, age, nationality, marital status, religion, sexuality or disability;
- The working environment is conducive to achievement and free from sexual harassment and intimidation;
- Disabled persons, whether registered or not, have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. In addition to complying with legislative requirements, procedures ensure that disabled employees are fairly treated and that their training and career development needs are carefully managed. For those employees becoming disabled during the course of their employment, every effort should be made, whether through retraining or redeployment, to provide an opportunity for them to remain with the Group; and
- The assessment of training needs and the provision of appropriate training is delivered to its employees.

Health and safety

Group companies have a responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions, for employees and visitors alike, which are safe, healthy and in compliance with statutory requirements and appropriate codes of practice.

The Group's trading divisions pursue the objective of minimising the instances of occupational accidents and illnesses. Examples of this are to be seen in the employment of health and safety advisers and occupational health staff and in the establishment of detailed policies and statements of intent.

Employee involvement

Group companies consult their staff on matters of concern to them in the context of their employment. In those Group companies where there are recognition agreements with Trade Unions there is a consultation process through national and local Trade Union representatives and through joint consultation committees.

Information on matters of concern to employees is also disseminated through conferences, meetings, publications and electronic media.

A second invitation under the UK and Ireland Sharesave Schemes together with first invitations under new International Schemes to employees in Germany, the Netherlands, Italy and Spain were made in June 2002. A special savings plan for employees in France and a Section 423 Plan for employees in the US were also introduced during the year under review.

Creditor payment

For all trade creditors, it is Group policy to:-

- Agree and confirm the terms of employment at the commencement of business with that supplier;
- Pay in accordance with contractual and other legal obligations; and
- Continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

Trade creditors of the Group at 31 March 2003 were 29 days (2002: 25 days) based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors. The Company has no trade creditors.

Auditors

Following the transfer of substantially all of the business of the UK firm of PricewaterhouseCoopers, the Company's auditors, to a limited liability partnership on 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed the new firm, PricewaterhouseCoopers LLP. Resolutions concerning the re-appointment of the auditors and authorising the directors to set their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

David Morris
Secretary
27 May 2003

Registered Office:
Universal House
Devonshire Street
Manchester
M60 1XA