No. 0388466

Annual Report

and

Accounts

2003

WHITEAWAY

LAIDLAW

BANK

LIMITED

WHITEAWAY LAIDLAW BANK LIMITED
DIRECTORS, OFFICERS AND ADVISERS

Company Number	388466 (England and Wales)
Board of Directors	*+ Robert T Fox CBE FCIB *(Chairman)*
	+ Terry Duddy
	*+ Blaise N A Hardman
	* Trevor M Hilliard
	John E Mottershead ACIB
	(Members of the Audit Committee)*
	(+ Non executive directors)
Secretary	C John Holmes FCIS
Principal and Registered Office	Ambassador House PO Box 93 Devonshire Street North Manchester M60 6BU
Registered Auditors	PricewaterhouseCoopers LLP 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW
Solicitors	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA

CONTENTS

REPORT OF THE DIRECTORS

The directors have pleasure in submitting the annual report and accounts for the year ended 31st March 2003.

REVIEW OF ACTIVITIES

Whiteaway Laidlaw Bank Limited ("the Bank") is an authorised institution under the Financial Services and Markets Act 2000 and is subject to regulation by the Financial Services Authority. The Bank's ultimate parent company remains GUS plc (GUS), whose net assets at 31st March 2003 were £ 2.64 billion.

The core activities of the Bank during the year continued to be the provision of:

- Banking services to the small business community and to personal customers.

- Operational support to the principal businesses within the GUS group.
  These included :-
  - The Argos Retail Group (ARG) which includes the Argos stores and since early 2003, the retail outlets of Homebase.
  - Experian, the global information services provider.
  - Burberry, the luxury goods retailer which is 77% owned by GUS.

- The data processing of store card receivables.

TRADING PERFORMANCE

The Bank reports pre tax profits of £5.0 million in the year, a marginal improvement on the previous year in spite of average interest rates that were 0.8% lower than last year. This adversely affected interest receivable on the Bank's capital and other investments to the value of £0.8 million. However this shortfall has been fully compensated by the growth in the Bank's lending and current account activities.

The Bank's small and medium size business loan book (SMEs) grew by 21.8% year on year. The provision of locally based services, by experienced bankers, at a competitive price has remained a powerful proposition to the SME community, which has become increasingly disenchanted with the service centre approach adopted by several of the major banks. During the year there was no addition to the three areas outside the Greater Manchester conurbation that are served by the Bank's business development officers. We sought rather to broaden our customer penetration in the existing regions. The target audience remained businesses with a turnover of up to £5.0 million, including retailers and restaurateurs, solicitors and accountants, manufacturers, the service sector and the building and construction industry. As a result the range of businesses covered is spread across the principal economic sectors and this supports the Bank's policy of minimizing the risks associated with an economic downturn. This low risk approach is reflected in the bad debt experience where specific bad debts continue to be significantly below the banking sector average, at less than 0.5% of the loan book.

Whilst asset growth has been satisfactory and commensurate with budgeted expectations there has been a parallel growth in customer deposits. The basic savings proposition, which offers High Interest Cheque Accounts, Instant Access Accounts and Fixed Deposit Accounts at highly competitive rates, generated growth in personal and retail deposits of 13%. This has ensured that the Bank has again had no requirement to seek funding from the wholesale money markets. Consequently, although lending margins in the general market place have tightened, the Bank has been able to remain competitive, aided by a cost to income ratio of 31% which is considerably below most of its competitors.

The contribution from the Bank's data processing activities has met its financial targets and a further store card has been added to the existing portfolio of businesses. This fee income remains attractive to the Bank as a reliable income stream largely unaffected by adverse movements in the economy.

The changing patterns in the GUS group's traditional home shopping businesses continue to moderate the level of commissions earned by the Bank from this source. Nonetheless the volumes involved in this business remain substantial and underpin the Bank's ability to offer competitively priced services to external customers

REVIEW OF ACTIVITIES *(continued)*

CURRENT TRADING

The Bank's customer base continues to show modest growth, aided by the expanding range of local accountants and solicitors with whom we have developed enduring and mutually beneficial relationships. These business professionals recognise our value for money proposition and appreciate the speed of decision making which our centralised structure, operating from a single branch permits. Our credit sanctioning systems have now been supplemented by the recent introduction of a computerised scorecard for SME business. As a result the Bank now looks to expand this business further, confident that no degradation of existing service levels will arise from the expansion. The Bank therefore expects shortly to appoint an additional business development officer who will cover the Derby, Nottingham, Leicester region. We project growth in the loan book in the current year to accrue both from this initiative and also from the expansion of relationships within existing regions. SME coverage will then extend from the Scottish borders to the South Midlands.

Based on customer loyalty built up over many years and the attractiveness of its savings products, the Bank believes its retail deposits will show further meaningful growth. Mindful of the loyalty of many of the personal customer relationships the Bank is giving some consideration to broadening its consumer product range. A flexible current account style mortgage, utilising customer savings and borrowings to maximum effect, is under review.

As the GUS group continues to evolve and expand, the mix of revenue streams enjoyed by the Bank is changing. Collectively these are predicted to be revenue neutral during the current year, but increasingly the Bank will interface with developments within ARG Financial Services division, whose products are seen as a major growth opportunity for GUS. The economic outlook however gives us some grounds for caution and products will remain targeted at applicants who are judged appropriate.

Third party card processing activities are expected to remain close to current levels. However following the successful launch of the Argos storecard and shortly an equivalent product for Homebase, it is expected that these businesses will supplement further the Bank's fee income streams.

In the current year the first month's trading performance across the Bank's main businesses has exceeded budget. It is also expected that the imminent change of computer platform, used to support the Bank's foreign currency accounting , will produce further operational economies in the latter part of the year.

FUTURE STRATEGY

In its recently reviewed three year strategic plan, the Bank has budgeted for further growth in its operational profits, based on the assumption that its core activities continue to provide a blend of fee and income generating streams, which by their nature are relatively recession proof. Interest rate directions are difficult to predict, given the current world economic uncertainty, but any upward movement in bank base rates will probably have a positive impact on the budget.

The Bank recognises that its services must remain competitively priced and places increasing emphasis on its cost to income ratio. The three year plan assumes that, despite the costs associated with upgrading its computer systems and with the continued training needs of its employees, the ratio will still bear favourable comparison with its banking peers.

The Bank is also actively reviewing the appropriate level of capital and reserves. It is projecting its return on capital to progress towards 10%, over the period of the strategic plan. This will be achieved, either by increasing the level of assets on its consolidated balance sheet which possibly may include integrating the Argos card and loan businesses, or by repayment of current surplus capital to the parent company. Either alternative would be subject to the approval of the Financial Services Authority. The Bank's consolidated risk asset ratio is 160%, which is significantly in excess of both the minimum Basel Tier 1 capital ratio and its own target ratio, set by the Financial Services Authority. The Bank continues to monitor the likely significance of the proposed second Basel Accord, but is not currently expecting any meaningful change to its capital requirements. Notwithstanding the fact that the Accord currently lacks total worldwide consensus, the new rules are expected to be operational from 1st January 2007.

Consistent with more effective management of the Bank's capital will be the expansion of its existing core businesses. Whilst lending margins are expected to become increasingly competitive, the Bank expects its niche range of activities to remain attractive to its current customer base. However the Bank increasingly expects its focus to become more consumer facing, as it expands on its linkage with the GUS retailing channels.

The Bank will continue to invest in the appropriate technology and systems, as it strives to reach an ever increasing range of personal and business customers.

REVIEW OF ACTIVITIES *(continued)*

DIRECTORS

The names of the current directors are shown on the contents page. All directors held office throughout the year and no directors resigned during the same period.

DIRECTORS' INTERESTS IN SHARES

Of the directors who held office on 31 March 2003, Mr Duddy is a director of the Bank's ultimate parent company, GUS plc and his interests are disclosed in the accounts of that company. Mr Hilliard is a director of GUS Finance Holdings Limited, the Bank's immediate parent company and his interests are disclosed in the accounts of that company.

Mr Hardman had interests at 31 March 2003 in 16,000 Ordinary shares of GUS plc (31 March 2002 - 16,000 shares).

The details of options granted to Mr Fox and Mr Mottershead in respect of Ordinary shares of GUS plc, under that company's SAYE share option scheme, are set out in the table below. No options were exercised or lapsed during the year.

	Options held at 31 March 2002	**Options granted in year**	**Exercise price**	**Date from which exercisable**	**Expiry date**	**Options held at 31 March 2003**
Robert Fox	4,394	-	384.0p	1.05.06	31.10.06	4,394
John Mottershead	4,394	-	384.0p	1.05.06	31.10.06	4,394

No other director holding office at 31 March 2003 had any interest either at the beginning or end of the year in the capital of the Bank, its ultimate holding company or any fellow subsidiary thereof.

RELATED PARTY TRANSACTIONS

Banks are obliged by law to observe a strict duty of confidentiality in respect of their customers' affairs and this is recognised in Financial Reporting Standard No.8. The Bank does not have any transactions with its directors and other related parties which are outside the terms of normal banking business and therefore no disclosure of these transactions is made.

RESULT AND DIVIDEND

The operating profit for the year amounted to £5.0 million (2002 - £5.0 million). The profit for the year after tax amounted to £3.5 million (2002 - £3.7 million). The directors recommend the payment of an interim dividend of 8.80p per share (2002 - 8.43p per share), amounting to £2.6 million (2002 - £2.5 million). £0.9 million has been transferred to reserves (2002 - £1.2 million).

REPORT OF THE DIRECTORS *(continued)*

EMPLOYEE INVOLVEMENT

Employees are consulted by Group companies on matters of concern to them and they participate in their company's affairs. Information on matters of concern to employees is also disseminated through conferences, meetings, publications and electronic media.

EMPLOYMENT OF DISABLED PERSONS

The Group supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

CREDITOR PAYMENT

For all trade creditors, it is Group policy to:

- Agree and confirm the terms of payment at the commencement of business with that supplier.
- Pay in accordance with contractual and other legal obligations.

Trade creditor days of the Group at 31 March 2003 were 25 days (2002 - 25 days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank and the Group and of the profit or loss for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank and the Group will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 19 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

An elective resolution was passed on 28 April 1997 which dispenses with the obligation to appoint auditors annually. Consequently ratification of PricewaterhouseCoopers LLP's appointment will not be required at an Annual General Meeting.

By order of the Board

C John Holmes FCIS
Secretary
11 June 2003

INDEPENDENT AUDITORS' REPORT

To the members of
Whiteaway Laidlaw Bank Limited

We have audited the financial statements which comprise the Profit and Loss account, the Balance Sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31 March 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
11 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2003

	Notes	2003 £M	2002 £M
Interest receivable:			
Interest receivable and similar income arising from debt securities		1.4	1.5
Other interest receivable and similar income		2.1	3.5
		3.5	5.0
Interest payable	2	(0.4)	(0.3)
Net interest income		3.1	4.7
Fees and commissions receivable	1	4.0	2.9
Fees and commissions payable		(1.0)	(1.1)
Dealing profits		0.1	0.1
Other operating income		0.1	0.1
Operating income		6.3	6.7
Administrative expenses	3	(1.3)	(1.3)
Depreciation and amortisation	13	(0.1)	(0.1)
Other operating charges		(0.1)	(0.1)
Provisions	6	0.2	(0.2)
Operating profit and profit on ordinary activities before tax		5.0	5.0
Tax on profit on ordinary activities	7	(1.5)	(1.3)
Profit on ordinary activities after tax for the financial year		3.5	3.7
Dividends paid and proposed	8	(2.6)	(2.5)
Retained profit for the year transferred to reserves		0.9	1.2

All of the above amounts are in respect of continuing operations.

The Group has no recognised gains and losses other than those included in the consolidated profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historical cost equivalents.

The accounting policies and notes, on pages 8 to 19, form an integral part of these financial statements.

BALANCE SHEETS

as at 31 March 2003

		Group		Bank	
		2003	2002	**2003**	2002
	Notes	**£M**	£M	**£M**	£M
Assets					
Cash and balances at central banks		**-**	-	**-**	-
Cheques in the course of collection		**0.7**	0.5	**0.7**	0.5
Loans and advances to banks	**9**	**66.0**	59.6	**66.0**	59.6
Loans and advances to customers	**10**	**16.1**	10.7	**16.1**	10.7
Debt securities	**11**	**70.0**	30.0	**70.0**	30.0
Shares in group undertakings	**12**	**-**	-	**-**	-
Tangible fixed assets	**13**	**0.1**	0.2	**0.1**	0.2
Prepayments and accrued income		**0.7**	1.0	**0.7**	1.0
Deferred tax	**7**	**0.2**	0.2	**0.2**	0.2
Total assets		**153.8**	102.2	**153.8**	102.2
Liabilities					
Customer accounts	**14**	**84.4**	33.9	**85.0**	34.5
Other liabilities	**15**	**5.3**	5.1	**5.3**	5.1
Called up equity share capital	**17**	**30.0**	30.0	**30.0**	30.0
Profit and loss account	**18**	**34.1**	33.2	**33.5**	32.6
Equity shareholders' funds	**19**	**64.1**	63.2	**63.5**	62.6
Total liabilities		**153.8**	102.2	**153.8**	102.2
Memorandum items					
Contingent liabilities:					
Guarantees	**20**	**7.2**	7.5	**7.2**	7.5
Commitments	**20**	**1.5**	1.6	**1.5**	1.6

The financial statements on pages 6 to 19 were approved by the board of directors on 11 June 2003 and are signed on its behalf by :

R T Fox

Directors

J E Mottershead

The accounting policies and notes, on pages 8 to 19, form an integral part of these financial statements.

ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking companies and banking groups, applicable Accounting Standards and Statement of Recommended Accounting Practice issued by the British Bankers' Association, which have been consistently applied.

(b) Basis of consolidation

The Group accounts deal with the state of affairs and results of the Bank and its subsidiaries for the twelve months ended 31 March.

(c) Cash flow statement

The Bank is a wholly owned subsidiary of GUS plc and its cash flows are included in the consolidated cash flow statement of GUS plc. Consequently, the Bank is exempt, under the terms of Financial Reporting Standard No.1 (revised), from the requirement to publish a cash flow statement.

(d) Bad and doubtful debts

Provisions are made to reduce the values of loans and advances to the amount which the Bank considers is likely to be recoverable. Throughout the year and at year end, assessments are made of all loans and advances which are in arrears. Specific provisions are made against those loans and advances when it is considered that their circumstances make full recovery doubtful. A general provision is made against loans and advances to cover bad and doubtful debts which have not been separately identified but which are known from experience to be present in any portfolio of loans and advances. The charge to the income and expenditure account represents new or additional provisions made less any reduction in provisions or recoveries of amounts previously provided. Interest which is considered irrecoverable, where the normal lending relationship has ceased, is suspended. Interest up to that time is credited to income and provision made as appropriate. Advances are shown on the balance sheets after deducting these provisions.

(e) Shares in group undertakings

The Bank's investment in its subsidiary undertakings is stated at cost less any provision for permanent diminution in value.

(f) Income

Income from instalment credit agreements is credited to profit in proportion to the reducing balances outstanding and is included in interest receivable. Interest and charges receivable on other types of lending and finance are credited to profit on an accruals basis. Commitment and other banking fees are credited to profit when due and payable.

(g) Related party transactions

The Bank and Group have taken advantage of the exemption available under Financial Reporting Standard No.8 not to disclose any transactions with the ultimate parent company and fellow subsidiary undertakings, or any banking transactions that would breach client confidentiality.

(h) Debt securities
Debt securities are not regarded as financial fixed assets, as such securities are purchased only in the course of the Group's treasury operations for the temporary utilisation of surplus funds. These debt securities are stated at historical cost less any provision for impairment.

(i) Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date. Income and expenses, which arose originally in foreign currencies, are translated monthly into sterling at closing rates for the relevant accounting period.

(j) Tangible fixed assets and depreciation
Depreciation on assets is calculated on the straight-line basis to write off the cost of equipment at the following annual rates:

Motor vehicles	25%
Office equipment	20% - 33%
Fixtures and fittings	10%

(k) Pension and other post retirement costs
The Group provides pension benefits to eligible employees through membership of two pension schemes operated by its ultimate parent company.

The defined benefit scheme has rules which specify the benefits to be paid and is financed accordingly. The cost of providing retirement benefits, including healthcare, which is based on costs across the ultimate parent's group as a whole, is charged to the profit and loss account over the anticipated period of employment in accordance with recommendations made by qualified actuaries.

The costs of the Group's defined contribution pension arrangements are charged to the profit and loss account on the basis of contributions payable in respect of the accounting period.

(l) Deferred taxation
In accordance with Financial Reporting Standard No 19 deferred taxation is fully provided in respect of timing differences to the extent that it is probable that a liability will arise or that an asset will be recoverable in the foreseeable future. Deferred tax balances are not subject to discounting.

NOTES TO THE ACCOUNTS

1 INCOME AND TURNOVER

UK retail banking operations are the primary activity of the Bank. The Bank also administers payment processing on behalf of the ARG Equation home shopping businesses, generating a revenue of **£1.0 million** (2002 - £1.1 million) with direct costs of **£1.0 million** (2002 - £1.0 million). The allocation of overhead administrative expenses and assets attributable to this element of the Bank's business would be negligible and therefore no such analysis is provided.

2 INTEREST PAYABLE

Interest payable includes amounts paid to the ultimate parent company and fellow subsidiary undertakings of **£0.1million** (2002 - £0.1 million).

3 ADMINISTRATIVE EXPENSES

	2003	2002
	£M	£M
Staff costs:		
Wages and salaries	**0.6**	0.6
Social security costs	**0.1**	0.1
Other pension costs	**0.1**	0.1
Total staff costs	**0.8**	0.8
Other administrative costs	**0.5**	0.5
	1.3	1.3

The auditors' remuneration was **£32,000** (2002 - £39,000), all of which related to the Bank itself. No fees were paid by the Group to the auditors other than for statutory audit work (2002 - £20,000).

4 NUMBER OF EMPLOYEES

	2003		2002	
	Full time	**Part time**	Full time	Part time
The average number of persons employed by the Group during the year was:				
Sales staff	**3**	**-**	2	-
Administrative staff	**24**	5	24	5
	27	**5**	26	5

5 EMOLUMENTS OF DIRECTORS

	2003	2002
	£000	£000
Aggregate emoluments	**130**	116

Details of share options granted under the GUS plc SAYE share option scheme, to directors remunerated by the Bank, are given in the Report of the Directors. Retirement benefits are accruing to one director under a defined benefit scheme. No contributions are made to a defined contribution pension scheme.

Mr Duddy and Mr Hilliard are paid by fellow subsidiary companies and these companies make no recharge to the Bank.

Mr Duddy is a director of the ultimate parent company and fellow subsidiary companies and it is not possible to make an accurate apportionment of his emoluments in respect of these companies and the Bank. The above details include no emoluments in respect of Mr Duddy or Mr Hilliard. The total emoluments for Mr Duddy are included in the aggregate of directors' emoluments disclosed in the financial statements of the ultimate parent company.

6 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Group & Bank		
	Specific	**General**	**Total**
	£M	**£M**	**£M**
At 31 March 2002	1.3	0.4	1.7
Transfer from the profit and loss account	(0.3)	0.1	(0.2)
Amounts applied in writing off advances	(0.6)	-	(0.6)
At 31 March 2003	0.4	0.5	0.9

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£M	£M
The tax charge is based on the profit for the year and comprises:		
UK corporation tax at 30% (2002 - 30%)	**1.5**	1.6
Deferred taxation on short term timing differences	**-**	(0.3)
	1.5	1.3

There is no difference between the tax assessed for the period and the standard rate of corporation tax in the UK of 30%.

The deferred tax asset of **£0.2 million** (2002 - £0.2 million) represents the combined effect of both timing differences and the movement in provisions.

8 DIVIDENDS

	2003	2002
	£M	£M
On equity shares:		
Interim dividend proposed of 8.80p per ordinary share (2002 - 8.43p)	**2.6**	2.5
	2.6	2.5

NOTES TO THE ACCOUNTS *(continued)*

9 LOANS AND ADVANCES TO BANKS

	Group & Bank	
	2003	2002
	£M	£M
Repayable on demand	**6.0**	5.1
Other loans and advances repayable in:		
Not more than three months	**60.0**	54.5
Greater than three months	**-**	-
	66.0	59.6

10 LOANS AND ADVANCES TO CUSTOMERS

	Group & Bank	
	2003	2002
	£M	£M
Repayable on demand	**5.7**	6.0
Other loans and advances repayable in:		
Not more than three months	**5.5**	0.5
Three months to six months	**0.4**	0.3
Six months to one year	**0.6**	0.7
One year to five years	**2.8**	2.6
More than five years	**1.1**	0.6
	16.1	10.7

11 DEBT SECURITIES

	Group & Bank	
	2003	2002
	£M	£M
Issued by other issuers	**70.0**	30.0

These debt securities consist of unlisted certificates of deposit, issued by institutions authorised in the UK under the Financial Services and Markets Act 2000 and are all due within one year.

12 SHARES IN GROUP UNDERTAKINGS

The Bank continues to hold small investments in its wholly owned subsidiaries Whiteaway Laidlaw (Overseas) Limited and WL Insurance Services Limited. Whiteaway Laidlaw (Overseas) Limited is the parent company of a group which merchants exports and WL Insurance Services Limited is a dormant company. Both subsidiaries are registered in England and Wales and are consolidated within these group accounts.

13 TANGIBLE FIXED ASSETS

	Group & Bank
	Fixtures, fittings, equipment & motor vehicles
	£M
Cost	
At 31 March 2002	0.7
Additions	0.1
Disposals	(0.1)
At 31 March 2003	**0.7**
Depreciation	
At 31 March 2002	0.5
Charge for year	0.1
Disposals	-
At 31 March 2003	**0.6**
Net book value	
At 31 March 2003	**0.1**
At 31 March 2002	0.2

14 CUSTOMER ACCOUNTS

	Group		Bank	
	2003	2002	**2003**	2002
	£M	£M	**£M**	£M
Repayable on demand	**82.5**	32.4	**83.1**	33.0
With agreed maturity dates or periods of notice and repayable in:				
Not more than three months	**1.9**	1.5	**1.9**	1.5
	84.4	33.9	**85.0**	34.5
Included within customer accounts are the following sums due to:				
The ultimate parent company	**1.4**	0.9	**1.4**	0.9
Fellow subsidiary undertakings	**20.8**	14.3	**20.8**	14.3
Subsidiary undertakings	**-**	-	**0.6**	0.6
	22.2	15.2	**22.8**	15.8

At the balance sheet date customer accounts also included funds of £32.8million in respect of a repayment of loan notes by GUS, which took place over the ensuing days. The balances shown in note 9 also include the effect of these funds.

15 OTHER LIABILITIES

	Group		Bank	
	2003	2002	**2003**	2002
	£M	£M	**£M**	£M
Trade creditors	**0.1**	0.2	**0.1**	0.2
Corporation tax	**2.0**	1.9	**2.0**	1.9
Proposed dividend	**2.7**	2.5	**2.7**	2.5
Other creditors	**0.5**	0.5	**0.5**	0.5
	5.3	5.1	**5.3**	5.1

16 PROVISIONS FOR LIABILITIES AND CHARGES

The Bank's provision for pension and other post retirement benefits is included in the provision shown in the consolidated financial statements of GUS plc.

17 SHARE CAPITAL

The authorised, allotted, called-up and fully paid share capital is **£30.0 million** in ordinary shares of £1 each (2002 - £30.0 million).

18 PROFIT AND LOSS ACCOUNT

The Bank is not required to present its own profit and loss account in addition to the consolidated profit and loss account, as permitted by section 230 of the Companies Act 1985. The movements in the profit and loss account of the Bank have been the profit after tax for the financial year of **£3.5 million** (2002 - £3.7million) and dividends paid and proposed of **£2.6 million** (2002 - £2.5 million).

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Bank	
	2003	2002	**2003**	2002
	£M	£M	**£M**	£M
Opening shareholders' funds	**63.2**	62.0	**62.6**	61.4
Profit for the year	**3.5**	3.7	**3.5**	3.7
Dividends	**(2.6)**	(2.5)	**(2.6)**	(2.5)
Closing shareholders' funds	**64.1**	63.2	**63.5**	62.6

20 CONTINGENT LIABILITIES AND COMMITMENTS

The nominal value and risk weighted amounts of contingent liabilities and commitments are shown below. The nominal contract amounts indicate the volume of business at the balance sheet date, but not the amounts at risk. The risk weighted amounts have been calculated in accordance with the FSA's guidelines implementing the Banking Consolidation Directive.

At the balance sheet date contingent liabilities had been entered into primarily on behalf of, or for the benefit of, the ultimate parent company and fellow subsidiary undertakings. Subsequent to the year end, the ultimate parent company sold fellow subsidiary undertakings to a third party. £6.7m of the contingent liabilities detailed below related to these undertakings.

	Group & Bank			
	2003 Contract amount £M	**2003 Risk weighted amount £M**	2002 Contract amount £M	2002 Risk weighted amount £M
Contingent liabilities:				
Guarantees issued	**7.2**	**7.2**	7.5	7.5
Commitments:				
Undrawn lending facilities	**1.5**	**0.7**	1.6	0.8

21 FINANCIAL INSTRUMENTS

The Group's policies for the holding and issuing of financial instruments are set out below. Financial Reporting Standard No.13 ("Derivatives and Financial instruments") also requires numerical disclosures in respect of financial assets and liabilities and these are included below. Short-term debtors and creditors are excluded from these disclosures in accordance with the exemption available under the Standard.

Financial instruments are fundamental to the business of the Bank and are used to enable the Bank to achieve its objectives in the management of:

a) surplus funds by placement in the money markets in accordance with the formal large exposure policy and liquidity policy documents approved by the Board; and
b) buying and selling of foreign currencies to and from customers and in identifying and covering any resultant foreign currency exposures.

Within its operations the Bank holds financial instruments in the following main categories:

Loans and deposits are undertaken with other institutions, retail customers and GUS group companies. They are held on a continuing basis to earn cashflows from the net interest margin and fee income over the life of the instruments or customer relationships.

Investments in debt securities are held in accordance with liquidity policy requirements and to generate sustainable income streams on a continuing basis.

Funding of the Bank's business is entirely from capital and reserves and customer deposits with no call on the wholesale money markets.

The Bank's dealings in these financial instruments expose it to the following principal risks: interest rate risk, liquidity risk and credit risk. The Board annually reviews and agrees policies for managing each of these risks.

Interest rate risk

The Bank is exposed to movements in interest rates. This exposure is managed by continuous monitoring of the interest rate profile of its assets and liabilities to allow appropriate action to be taken.

Interest rate risk profile

The interest rate risk profile of the Group's loans and advances, all of which are denominated in sterling, is as follows:

					Fixed rate loans and advances	
	Floating rate loans and advances	**Fixed rate loans and advances**	**Loans and advances on which no interest is earned**	**Total**	**Weighted average interest rate**	**Weighted average period for which rate is fixed**
	£M	**£M**	**£M**	**£M**		**Years**
At 31 March 2003	**10.7**	**135.7**	**5.7**	**152.1**	**3.9%**	**0.1**
At 31 March 2002	9.1	86.7	4.5	100.3	4.6%	0.2

The figures for fixed rate loans and advances shown above include **£70.0 million** (2002 - £30.0 million) in respect of certificates of deposit which are classified as debt securities on the balance sheet.

The maturity profile of the Group's loans and advances is given in notes 9 to 11, and there is no difference between the carrying amount and their fair value. Loans and advances on which no interest is earned are treated as repayable on demand, this being consistent with the prior year.

21 FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk *(continued)*

Interest rate risk profile (continued)

The interest rate risk profile of the Group's financial liabilities, all of which are denominated in sterling, 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	Fixed rate liabilities: Weighted average period for which rate is fixed
	£M	£M	£M	£M		Years
At 31 March 2003	**25.8**	**1.7**	**56.9**	**84.4**	**3.5%**	**0.1**
At 31 March 2002	13.7	1.9	18.3	33.9	3.7%	0.1

The maturity profile of the Group's financial liabilities is given in note 14. Financial liabilities on which no interest is paid are treated as repayable on demand, this being consistent with the prior year.

Liquidity risk

The Bank's policy is to maintain sufficient liquid resources to cover cash flow imbalances, fluctuations in funding and to enable the Bank to meet its financial obligations when they fall due. This policy is achieved by monitoring daily the maturity profile of the Bank's liquid assets against funding requirements to allow appropriate action to be taken.

Borrowing facilities

The Group had an undrawn borrowing facility at 31 March 2003 of **£10.0 million** (2002 - £10.0 million).

Cash and deposits

Cash and deposits as included within the Group's financial statements where both book value and fair value are equal, are:

	2003	2002
	£M	£M
Current asset investments	**70.0**	30.0
Bank balances and cash	**66.7**	60.1
	136.7	90.1

Credit risk

Credit risk is the risk that bank and customer counterparties will not meet their financial obligations, resulting in loss to the Bank. This risk is managed by the application of the Bank's credit control policies including the large exposure policy which requires the setting of counterparty and country limits for treasury and foreign exchange exposure and the regular monitoring of their utilisation.

21 FINANCIAL INSTRUMENTS *(continued)*

Credit risk *(continued)*

Collateral and netting

The Bank and Group enter into master agreements with counterparties whenever possible and, when appropriate, obtain collateral. Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will be terminated and all outstanding amounts will be settled on a net basis.

Transactions with positive fair values are netted against transactions with negative fair values where the Bank and Group has the ability to insist on net settlement, based on a legal right that is designed to survive the insolvency of the counterparty.

The Bank and Group hold collateral in respect of credit related instruments in accordance with Bank policy, given the customer's financial position and the overall banking relationship.

Credit related instruments

Credit related instruments are treated as contingent liabilities and these are not shown on the balance sheet unless and until the Bank and Group is called upon to make a payment under the instrument. These contingent liabilities relate primarily to group company counterparties whose ability to meet the financial commitment is known. Fees received for providing these instruments are taken to profit over the life of the instrument and reflected in fees and commissions receivable.

Exchange rate risk

The Bank engages in both spot and forward foreign exchange transactions on behalf of its customers and covers these with GUS Treasury Services BV. Exchange rate risk is therefore limited to the foreign currency balances held in the Bank's nostro accounts, on which an internal limit of £250,000 in total is imposed.

As at 31 March 2003 the Group had a net foreign currency monetary asset of **£0.1 million** (2002 - £0.1 million).

There were no forward foreign currency contracts at 31 March 2003.

22 FOREIGN CURRENCY ASSETS AND LIABILITIES

The following amounts included in the Bank and Group balance sheets are denominated in foreign currencies:

	2003 £M	2002 £M
Assets	0.4	0.7
Liabilities	0.3	0.6

23 PENSION AND OTHER POST RETIREMENT BENEFITS

The Group provides pension benefits to eligible employees through membership of two pension schemes operated by its ultimate parent company.

The defined benefit scheme has rules which specify the benefits to be paid and is financed accordingly, with assets being held in independently administered funds. The cost of providing retirement benefits, including healthcare, which is based on costs across the ultimate parent's group as a whole, is charged to the profit and loss account over the anticipated period of employment in accordance with recommendations made by qualified actuaries. The results of the latest valuation are reported in the consolidated financial statements of GUS plc.

Further information to comply with Financial Reporting Standard No.17 "Retirement Benefits" is provided in the consolidated financial statements of GUS plc.

The Group is in practice unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and will be treating the scheme as a defined contribution scheme when Financial Reporting Standard No.17 becomes effective.

The assets of the defined contribution scheme are held in an independently administered fund. The cost of providing these pension benefits as recognised in the profit and loss account comprises the amount of contributions payable to the pension scheme in respect of the accounting period.

24 RELATED PARTY TRANSACTIONS

Under the terms of Financial Reporting Standard No.8, the Bank has taken advantage of the exemption from disclosing transactions with companies which are subject to 90% or more control within the same group, as consolidated financial statements in which the Bank is included are publicly available (note 25).

25 ULTIMATE PARENT COMPANY

The ultimate parent company is GUS plc, which is registered in England and Wales. Copies of its group accounts can be obtained from The Secretary, GUS plc, PO Box 99, Universal House, Devonshire Street, Manchester M60 1XA.