

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
REPORT AND ACCOUNTS
YEAR ENDED 31st JANUARY 1999

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DIRECTORS

D J Allmey
S A R Hunt
S Phillips
G Rennison
M R Philippin
J L Camblin
L G Schmoll
A J Burgi
J F Varlet
J L Bonnafe
G Chaurand
P Decla

SECRETARY AND REGISTERED OFFICE

B Cavelier, Radcliffe House, Blenheim Court, Solihull, B91 2AA

Company Number: 1091883

AUDITORS

PricewaterhouseCoopers, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT



• CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
REPORT OF THE DIRECTORS

The directors present their annual report together with the audited accounts for the year ended 31st January 1999.

BUSINESS REVIEW

The principal activity of the Company is that of a finance company offering a credit card service primarily to fellow subsidiaries of Sears plc. The results for the year are set out in the profit and loss account on page 5.

In March 1998 the Company entered into a Joint Venture agreement with Equifax, the worlds largest provider of card services. The company has a 49% share in this joint venture whose business purpose will be to provide account-processing services for the Company & for other external companies.

Included within this Joint Venture agreement with Equifax, is the provision by Equifax USA to the Company of a new cardholder database computer system – the First BankCard System. This new operational database is Year 2000 compliant. The Company has an ongoing managed Year 2000 project – auditing all software and systems for Year 2000 compliance.

There can be no assurance that the steps taken by the Company will completely remove all Year 2000 compliance problems of its software and systems, or those of its suppliers. The Company is communicating with our key suppliers of services to ensure they are also addressing the issue.

The Company changed its name from Sears Financial Services Limited to Creation Financial Services Limited on 7th September 1998.

SUBSEQUENT EVENT

On 23rd February 1999 the Company was sold by Sears plc to Groupe Cofinoga and the Banque de Nationale Paris (BNP), both parent companies are registered in France.

TRADING RESULTS

The profit before tax for the year amounted to £4,489,155 (1998 - £12,728,814). The directors consider that the results for the year were satisfactory.

DIVIDEND AND TRANSFER TO RESERVES

The profit after taxation of £4,490,555 has been transferred to reserves. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors set out below have held office during the whole of the period from 1st February 1998 to the date of this report unless otherwise stated:

D J Allmey	
K M Elwell	Resigned 23 rd February 1999
R Kimberley	Resigned 23 rd February 1999
D McCullough	Resigned 1 st April 1998
S A R Hunt	
S Phillips	Appointed 1 st July 1998
G Rennison	Appointed 6 th July 1998
I Cheshire	Resigned 15 th May 1998
M R Philippin	Appointed 23 rd February 1999
J L Camblin	Appointed 23 rd February 1999
L G Schmoll	Appointed 23 rd February 1999
A J Burgi	Appointed 23 rd February 1999
J F Varlet	Appointed 23 rd February 1999
J L Bonnafe	Appointed 23 rd February 1999
G Chaurand	Appointed 23 rd February 1999
P Decla	Appointed 23 rd February 1999

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
REPORT OF THE DIRECTORS (continued)

The interests of the directors holding office on 31st January 1999 in the shares of Sears plc, according to the register of director's interests are set out in note 4.

EMPLOYMENT POLICY

During the year the Company has continued to maintain, as far as practicable, close consultation with employees or their representatives on matters likely to affect their interests. By means of meetings and staff publications, the Company has endeavoured to keep employees informed about the progress of their Company and the Group of which it is a member. All eligible employees have been invited to participate in the Savings-Related Share Option Scheme introduced in 1982.

It is the policy of the Company to ensure that the talents and resources of employees are utilised to the full and that no job applicant or employee receives less favourable treatment on the grounds of gender, marital status, social class, colour, race, ethnic origin, creed or disability or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. Close attention is always given to employees' health and safety with particular regard to the requirements of the Health and Safety at Work Legislation.

PAYMENT POLICY

It is not the Company's policy to follow a code of standard payment practice. Payments are made in accordance with terms agreed in advance with each individual supplier. The company's trade creditors at 31st January 1999 equated to 17 days on a weighted average basis over the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

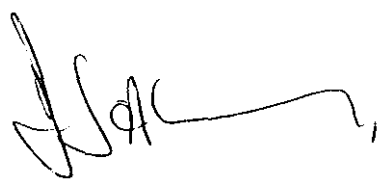
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

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

AUDITORS

Following the merger of Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned as auditors. The directors appointed PricewaterhouseCoopers to fill the casual vacancy and propose that PricewaterhouseCoopers be appointed auditors of the Company at the Annual General Meeting.

Radcliffe House
Blenheim Court
Solihull
B91 2AA


By order of the Board
D J Allmey
Managing Director
8th July 1999

Auditors' report to the members of Creation Financial Services Limited

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

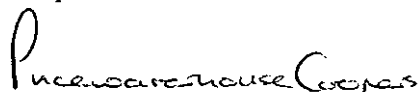
Basis of audit opinion

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 company's affairs at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

8 July 1999

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st JANUARY 1999

	Note	1999 £	£	1998 £	£
TURNOVER		36,583,577		31,755,977	
Administrative expenses before exceptional items		(26,215,968)		(21,462,117)	
Restructuring costs	2	-		(1,327,000)	
VAT reclaim	2	500,000		8,640,000	
Administrative expenses including exceptional items		(25,715,968)		(14,149,117)	
OPERATING PROFIT	1	10,867,609		17,606,860	
Interest payable	6	(6,378,454)		(4,878,046)	
PROFIT ON ORDINARY ACTIVITES BEFORE TAXATION		4,489,155		12,728,814	
Taxation	7	1,400		(4,004,826)	
PROFIT ON ORDINARY ACTIVITES AFTER TAXATION	15	4,490,555		8,723,988	

The profit and loss account includes all recognised gains and losses for the year.

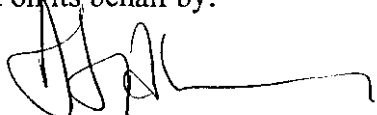
The profit for the financial year is derived wholly from continuing operations.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
BALANCE SHEET
AT 31ST JANUARY 1999

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible Assets	8		1,080,513		1,469,274
Investments	9		100		100
CURRENT ASSETS					
Debtors	10	132,069,948		124,614,569	
Cash at bank and in hand		9,456,169		21,958,124	
		<hr/>		<hr/>	
		141,526,117		146,572,693	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(33,563,056)		(101,648,678)	
		<hr/>		<hr/>	
NET CURRENT ASSETS			107,963,061		44,924,015
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			109,043,674		46,393,389
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		(88,272,690)		(30,112,960)
			<hr/>		<hr/>
NET ASSETS			20,770,984		16,280,429
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up share capital	14		10,000,100		10,000,100
Profit and loss account	15		10,770,884		6,280,329
			<hr/>		<hr/>
EQUITY SHAREHOLDERS' FUNDS	16		20,770,984		16,280,429
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors on the 8th of July 1999 and were signed on its behalf by:



Debbie Allmey
Managing Director

BASIS OF ACCOUNTS

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

FIXED ASSETS AND DEPRECIATION

All tangible fixed assets are depreciated at the following annual rates:

Motor Vehicles	33%
Fixtures & Fittings	20% - 33%

Assets are depreciated on a straight-line basis over their useful lives.

OPERATING LEASES

Rentals payable under operating leases are dealt with on a straight line basis over the lease term.

TURNOVER

Turnover represents service charges receivable from cardholders and commission on financed sales.

DEFERRED TAXATION

Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that the liability or asset will crystallise in the foreseeable future, at the rate of tax expected to apply when the timing differences reverse.

PENSION COSTS

Pension costs charged to the profit and loss account reflect the costs, based on actuarial estimates, of providing for the pension benefits accruing in the year. Any excess or deficit of contributions paid into the pension scheme compared to the cumulative pensions cost is included in prepayments or accruals.

RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption under the Financial Reporting Standard 8 to dispense with the need to disclose transactions with fellow group companies, 90% or more of whose voting rights are held within the group, consolidated in the group accounts of the ultimate parent undertaking.

CASH FLOW STATEMENT

The company is exempted from producing a cash flow statement since a consolidated cash flow statement, prepared in accordance with the requirements of Financial Reporting Standard 1 (Revised 1996) is included in the group accounts of the ultimate parent undertaking.

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
NOTES TO THE ACCOUNTS
31st JANUARY 1999

1. OPERATING PROFIT

	1999	1998
	£	£
The Operating profit of the Company is stated after charging / (crediting):		
Depreciation (see note 8)	818,350	853,497
Auditors' remuneration – as Auditors	35,837	29,673
- Other	1,212	1,200
Loss / (profit) on disposal of fixed assets	-	(96,397)
Operating lease rentals:		
Hire of plant and machinery	81,651	53,716
Others	695,322	545,664
Recovery of VAT on debts previously written off	(660,589)	(504,000)
Group management charges	-	346,644

2. EXCEPTIONAL ITEMS

	1999	1998
	£	£
Group management charge in respect of restructuring costs	-	1,327,000
VAT Reclaim	500,000	8,460,000

The VAT reclaim of £8,460,000 in 1998 represented the Company's estimated entitlement to repayment of VAT previously levied by Customs & Excise on outstanding credit balances following the withdrawal of the Standard Method of Gross Takings (SMGT). This followed the Court of Appeal ruling in R vs. CCE ex parte Littlewoods Home Shopping Limited. Provision made of £500,000 in 1998 in respect of previous rulings that may have been affected by the above case, has been released in 1999, as this is no longer required.

3. DIRECTORS' EMOLUMENTS

	1999	1998
	£	£
Management services	580,766	423,886
Emoluments of:		
Highest paid director	149,721	116,613

The pension accrued by the highest paid director in the current year, together with the accumulated amount of the pension as at 31st January 1999 under the approved defined benefit scheme, are set out below. Retirement benefits are accruing to six (1998: five) directors under the approved defined benefit scheme.

	Approved Scheme	
	Pension accrued in the year 1998/99 £ p.a.	Accumulated pension based on service to 31 st January 1999 £ p.a.
Highest paid director	3,777	22,917

4. DIRECTORS' INTERESTS

The interests of the directors' in office at 31st January 1999 in the 25p Ordinary shares of Sears plc were as follows:

<u>Ordinary Shares</u>	1 st February 1998 / Date of Appointment	31 st January 1999	See Note
D J Allmey	595	595	A
R Kimberley	3,182	3,182	A
S A R Hunt	230	230	A
G Rennison	118	118	A

Ordinary Shares Under Option:

	1 st February 1998 / Date of appointment	Lapsed or Exercised in the period	31 st January 1999	Price (pence)	Period	See Notes
D J Allmey	9,090	-	9,090	429	7/95 – 7/2002	A B
	831	831	-	830	11/99 – 5/2000	A
	8,927	-	8,927	583	4/98 – 4/2005	A B
K M Elwell	6,181	-	6,181	583	4/98 – 4/2005	A B
	1,916	-	1,916	900	11/2000 – 5/2001	A C
R Kimberley	5,836	-	5,836	583	4/98 – 4/2005	A B
	2,090	-	2,090	495	11/2000 – 5/2001	A C
	921	-	921	423	11/99 – 5/2000	A C
D McCullough	4,290	-	4,290	583	4/98 – 4/2005	A B
S Phillips	415	415	-	830	12/99 – 6/2000	A
	418	-	418	495	12/98 – 6/99	A C
G Rennison	21,963	-	21,963	583	4/98 – 4/2005	A B
	1,713	-	1,713	620	11/99 – 5/2000	A B
	831	-	831	900	11/99 – 5/2000	A C

Mr S A R Hunt and Dr J Sanderson hold no options over ordinary shares in Sears plc.

- (A) The interest in and options over Ordinary shares at 1st February 1998 have been restated to reflect the one for ten share consolidation effected by Sears plc on 20th July 1998.
- (B) Sears plc restructured Executive Share Options. The option price is based on the average Ordinary share price for the three trading days prior to the date of the grant.
- (C) Sears plc restructured Savings Related Options – The option price is based on the average Ordinary share price for the three trading days prior to the grant and discounted by up to 20%.

On 7th April 1999, Sears plc became the wholly owned subsidiary of January Investments Limited. Accordingly, all share options have lapsed or been exercised.

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
NOTES TO THE ACCOUNTS
31st JANUARY 1999

5. EMPLOYEES

	1999	1998
	£	£
Summary of costs (including directors):		
Wages & salaries	6,353,462	4,968,257
Social security costs	490,585	341,872
Other pension costs	19,517	4,200
	<hr/> 6,863,564	<hr/> 5,314,329

Average number of employees (including directors):

	1999	1998
Full time	230	193
Part time	327	370
	<hr/> 557	<hr/> 563

6. INTEREST PAYABLE

	1999	1998
	£	£
Interest payable to group undertakings	2,339,566	4,223,313
Interest payable on bank loans & overdrafts	4,038,888	654,733
	<hr/> 6,378,454	<hr/> 4,878,046

7. TAXATION

	1999	1998
	£	£
UK Corporation tax charge based on the results for the year at 30% (1998 – 31.5%)	-	4,161,025
Corporation tax – prior years	-	(29,544)
Deferred tax (Note 13)	(1,400)	(126,655)
	<hr/> (1,400)	<hr/> 4,004,826

The current year charge to corporation tax has been covered by Group Relief, for which no consideration has been paid.

8. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Fixtures & Fittings £	Total £
Cost:			
At 1 st February 1998	472,630	2,393,622	2,866,252
Additions	0	884,387	884,387
Disposals	(430,929)	(109,796)	(540,725)
	<hr/>	<hr/>	<hr/>
At 31 st January 1999	41,701	3,168,213	3,209,914
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 st February 1998	80,707	1,316,271	1,396,978
Charge for the year	2,765	815,585	818,350
Disposals	(48,418)	(37,509)	(85,927)
	<hr/>	<hr/>	<hr/>
At 31 st January 1999	35,054	2,094,347	2,129,401
	<hr/>	<hr/>	<hr/>
Net Book Value:			
At 31 st January 1999	<u>6,647</u>	<u>1,073,866</u>	<u>1,080,513</u>
At 31 st January 1998	<u>391,923</u>	<u>1,077,351</u>	<u>1,469,274</u>

9. INVESTMENTS

	1999 £	1998 £
Investment in subsidiary	<u>100</u>	<u>100</u>

The Company holds the whole of the authorised and issued share capital of West Midlands Debt Collections Limited, a company incorporated in the United Kingdom, which did not trade during the year.

In the opinion of the directors the aggregate value of the investment at 31st January 1999 was not less than the value in the Balance Sheet.

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
NOTES TO THE ACCOUNTS
31st JANUARY 1999

10. <u>DEBTORS</u>	1999 £	1998 £
Amounts falling due within one year:		
Trade debtors	126,700,333	112,618,244
Amounts owed by group companies	-	568,845
Other Debtors	2,274,430	8,517,486
Prepayments	738,694	764,635
Taxation – deferred tax asset (see note 13)	469,472	468,072
	<hr/>	<hr/>
	130,182,929	122,937,282
Amounts falling due after more than one year:		
Trade debtors	1,887,019	1,677,287
	<hr/>	<hr/>
	132,069,948	124,614,569
	<hr/>	<hr/>

11. <u>CREDITORS</u>	1999 £	1998 £
Amounts falling due within one year:		
Trade creditors	4,169,252	1,002,460
Amounts owed to group undertakings	27,199,739	92,639,371
Corporation tax	-	4,177,222
Other taxes and social security creditors	281,675	236,573
Accruals and deferred income	1,912,390	3,593,052
	<hr/>	<hr/>
	33,563,056	101,648,678
	<hr/>	<hr/>

The company pays interest on amounts owed to other group companies. The rate used is the prevailing Finance House Base Rate which is applied to the amount outstanding for each day.

12. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £	1998 £
Bank loans & overdrafts – repayable between 2 & 5 years	<u>88,272,690</u>	<u>30,112,960</u>

In September 1997 a five year non-recourse facility was arranged. The facility amount is dependent on the level of receivable balances, with any principal and interest repaid from the settlement of these receivable balances. The amount that can be drawn down under the facility is approximately 75% of the total receivable balance, being £130 million at 30th January 1999. There is an overall facility cap of £125 million.

The interest on the non-recourse debt is variable and at 31st January 1999 was 6.8%.

13. PROVISION FOR LIABILITIES AND CHARGES

Deferred tax calculated at a rate of 30% (1998 - 31%) as at 31st January, made up as follows:

	Provided 1999 £	Full Potential 1999 £	Provided 1998 £	Full Potential 1998 £
Excess capital allowances	-	242,646	-	152,241
Short term timing differences	469,472	469,472	468,072	468,072
	<u>469,472</u>	<u>712,118</u>	<u>468,072</u>	<u>620,313</u>

Full recognition of the deferred tax asset relating to short term timing differences is made, as the directors believe all timing differences will crystallise in the foreseeable future.

The movement on the deferred tax account was as follows:

	£
Balance at 1 st February 1998	468,072
Debited to the profit and loss account in respect of current year	(132,697)
Debited to the profit and loss account in respect of change to corporation tax rate	(20,072)
Credited to the profit and loss account in respect of prior years	154,169
	<u>469,472</u>
Balance at 31 st January 1999	<u>469,472</u>

CREATION FINANCIAL SERVICES LIMITED
(FORMERLY SEARS FINANCIAL SERVICES LIMITED)
NOTES TO THE ACCOUNTS
31st JANUARY 1999

14. SHARE CAPITAL

	1999 £	1998 £
Ordinary shares of £1 each Authorised, issued and fully paid	<u>10,000,100</u>	<u>100,000,100</u>

15. PROFIT AND LOSS ACCOUNT

	£
At 1 st February 1998	6,280,329
Profit for the financial year	4,490,555
At 31 st January 1999	<u>10,770,884</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	4,490,555	8,723,988
Net addition to shareholders' funds	<u>4,490,555</u>	<u>8,723,988</u>
Opening shareholders' funds	16,280,429	7,556,441
Closing shareholders' funds	<u>20,770,984</u>	<u>16,280,429</u>

17. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date (1998 - £NIL)

18. OPERATING LEASE COMMITMENTS

At 31 st January the Company was committed to making the following annual payments under non-cancellable operating leases:	1999 £	1998 £
Land & Buildings		
Operating leases which expire:		
Within 1 to 5 years	696,000	437,000
After 5 years	-	-
	<u>696,000</u>	<u>437,000</u>

19. CONSOLIDATED ACCOUNTS

Consolidated accounts have not been prepared as the Company was a wholly owned subsidiary of Sears Investment Trust Limited, which is incorporated in the United Kingdom. The results and assets of the Company are included within the consolidated accounts of Sears plc.

20. PENSION COSTS

The company is a member of two defined benefit schemes, the assets of which are held in separate trustee administered funds. The schemes are open to certain employees of the Sears plc group of companies and further particulars are set out in the Annual Report of that company. The total pension cost for the Company was £19,517 (1998 £4,200).

A provision of £53,017 (1998 £32,000) is included in creditors, representing the excess of the accumulated pension costs over the amount funded.

21. CONTINGENT LIABILITIES

As a result of the group registration arrangement for value added tax, the Company together with the immediate parent company and certain fellow subsidiaries, is jointly and severally liable for any value added tax due by the representative member of the group.

22. PARENT UNDERTAKING

The ultimate parent company and controlling party was Sears plc, a company incorporated in the United Kingdom. Copies of Sears plc Annual Report are available from 40 Duke Street, London, W1A 2HP.