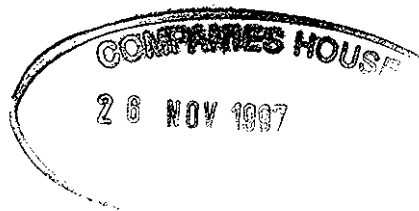


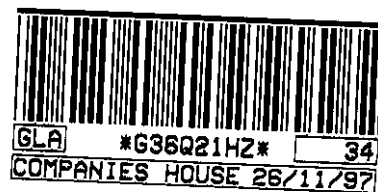
ALEXANDER FINDLAY & CO LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 JANUARY 1997



Registered Number SC 4688



ALEXANDER FINDLAY & CO LIMITED

DIRECTORS

J D F Drum

B S Knight

Report of the Directors for the year ended 31 January 1997.

TRADING RESULTS

The accounts of the company for the year are set out on pages 5 to 9. The company has not traded during the year and has incurred no liabilities.

DIRECTORS

The directors of the company are shown above. Mr J Katz who also served during the year, resigned on 21 January 1997 and Mr B S Knight was appointed on that day. During the year, liability insurance was maintained for the Company's directors and officers.

The interests of Mr J D F Drum and Mr B S Knight in the Ordinary shares of Sears plc were as follows:

Ordinary Shares

	31st January 1997	1st February 1996
J D F Drum	1,000	1,000
B S Knight	-	-

Ordinary Shares under Option

	1st February 1996	Granted in the period	See Notes	Exercised in the period	31st January 1997	Exercise Price (Pence)	Exercise Period
J D F Drum	50,000		a		50,000	78p	July 1995-July 2002
	25,000		b		25,000	75p	December 1996-June 1997
	55,700		a		55,700	106p	April 1998 - April 2005
		22,402	b		22,402	77p	December 2001-June 2002

- a) Executive Share Options. The option price of executive options is based on the average ordinary share price for the three trading days prior to the date of grant.
- b) 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 up to 20%.

ALEXANDER FINDLAY & CO LIMITED

AUDITORS

Price Waterhouse have expressed their willingness to be re-appointed as auditors to the company.

By Order of the Board

11th November 1997

D Quinlan
Secretary

A handwritten signature in dark ink, appearing to read 'D Quinlan', is written over the typed name and title.

Registered office:
6 Alva Street
Edinburgh EH2 4QQ

ALEXANDER FINDLAY & CO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the Report of the Auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the directors of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 5 to 9, the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keep accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

ALEXANDER FINDLAY & CO LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ALEXANDER FINDLAY & CO LIMITED

We have audited the financial statements on pages 5 to 9 which have been prepared under the historical cost convention, and the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 3, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



11th November 1997

PRICE WATERHOUSE

Chartered Accountants
and Registered Auditors
Southgate House
61 Millstone Lane
Leicester LE1 5QA

ALEXANDER FINDLAY & CO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 1997

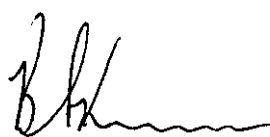
	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
PROFIT ON CONTINUING OPERATIONS BEFORE INTEREST AND TAXATION	2	-	446
TAXATION	3	<u>-</u>	<u>(178)</u>
ADDED TO RESERVES		-	268
BALANCE BROUGHT FORWARD		<u>508</u>	<u>240</u>
BALANCE CARRIED FORWARD		<u>508</u>	<u>508</u>

There is no difference between the results as stated and the results on an unmodified historical cost basis.

ALEXANDER FINDLAY & CO LIMITED

BALANCE SHEET - 31 JANUARY 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
CURRENT ASSETS			
Debtors	4	1,015	1,015
CREDITORS (due within one year)	5	<u>(2)</u>	<u>(2)</u>
NET CURRENT ASSETS		1,013	1,013
PROVISIONS FOR LIABILITIES AND CHARGES			
	6	<u>(5)</u>	<u>(5)</u>
		<u>1,008</u>	<u>1,008</u>
CAPITAL AND RESERVES			
Called up share capital	7	500	500
Reserves - profit and loss account		<u>508</u>	<u>508</u>
Shareholders' Funds (all equity interest)		<u>1,008</u>	<u>1,008</u>



B S KNIGHT
Director

The accounts were approved by the Board of Directors on 11th November 1997.

ALEXANDER FINDLAY & CO LIMITED

YEAR ENDED 31 JANUARY 1997

STATEMENT OF RECOGNISED GAINS AND LOSSES

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the Financial Year	<u>-</u>	<u>268</u>
Total Recognised Gains for the Year	<u>-</u>	<u>268</u>

RECONCILIATION OF SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
Profit for the Financial Year	<u>-</u>	<u>268</u>
Net increase in Shareholders' funds	-	268
Shareholders' funds at 1 February	1,008	740
Shareholders' funds at 31 January	<u>1,008</u>	<u>1,008</u>

ALEXANDER FINDLAY & CO LIMITED

NOTES ON THE ACCOUNTS - 31 JANUARY 1997

1. ACCOUNTING CONVENTION

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

2. PROFIT ON ORDINARY ACTIVITIES

The company did not trade during the year and incurred no liabilities. The profit for last year resulted from the receipt of a surplus from the Staff Pension & Life Assurance Plan.

None of the directors received any remuneration in respect of their services to the company in 1997 or 1996.

The fees and expenses of the auditors are met by fellow subsidiary companies.

3. TAXATION

The tax charge for last year was in respect of the surplus from the Staff Pension & Life Assurance Scheme which was taxed at 40%.

4. DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed by Group undertakings	1,015	1,015
	_____	_____

5. CREDITORS (amounts falling due within one year)

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts owed to Group undertakings	2	2
	_____	_____

NOTES ON THE ACCOUNTS - 31 JANUARY 1997 (continued)

6. PROVISIONS FOR LIABILITIES AND CHARGES

The provisions relate mainly to the realisation of assets of the former trade. There were no movements during the year.

7. CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Authorised:		
Ordinary shares of 50p each	1,000	1,000
	_____	_____
Allotted and fully paid		
Ordinary shares of 50p each	500	500
	_____	_____

8. PARENT UNDERTAKINGS

Broadstoner Holdings plc, a company registered in England, is the smallest group to consolidate the accounts of the company. Copies of the accounts can be obtained from the address of the ultimate parent undertaking below.

The ultimate parent undertaking is Sears plc, a company registered in England. Copies of the Group accounts can be obtained from the Secretary at 40 Duke Street, London W1A 2HP.