Bhs plc

REPORT AND ACCOUNTS

1995-96

The Company registered number is 229606

DIRECTORS' REPORT

The directors submit their report on the accounts for the fifty-two weeks to 30 March 1996.

Principal Activity and Business Review

The last year has been a difficult one for many clothing retailers, and Bhs was no exception. The market was as competitive as ever and the weather, with a cold and wet early summer followed by a heatwave and the warmest October on record, presented its own challenge.

Turnover was £749.0 million (1995-£758.5 million), reflecting the loss of sales from the One Up stores following their sale in June. Extra space from new stores averaged over three per cent through the year. So, allowing in addition for the 17 per cent growth of Bhs' international franchise business, like-for-like sales were down some two percent. However, Bhs started to show like-for-like growth towards the end of the year.

Profit from retail operation's was £62.3 million (1995 - £54.3 million).

One of the strongest performing merchandise divisions was womenswear where a combination of increased fashionability and improved quality led to encouraging sales growth. Home also benefited from an upturn in the housing market during the last few months. Following some years of growth Childrenswear had a less successful year, partly due to stock shortages at critical times; menswear sales were also down on the previous year although profitability improved due to reduced markdowns. Men's suits were re-introduced in a number of major stores. Women's intimate and fashion accessories had satisfactory years, with footwear again showing substantial growth. Towards the end of the year, a range of bathroom toiletries was introduced on a trial basis. Once again, sales in the Christmas Shop reached record levels with a nine per cent increase over the previous year.

During the year, Bhs opened ten new stores, including Cambridge and Solihull in the new design concept. Elements of the concept, which provided a more attractive shopping environment and higher stock densities, have been tested in other new store openings and in three refurbished stores. So far the results have been encouraging and the trials will be extended this year in order to develop a definitive `millennium' concept which can be rolled out more widely.

In addition to the new stores, Bhs completed 15 major space management schemes, which involved reclaiming extra space, sometimes converting restaurants into Coffee Houses and introducing the new Sandwich Stores. There are currently 22 Coffee Houses and 29 Sandwich Stores in the chain and the combination is being seen by customers as a marked improvement on the traditional store restaurant.

Altogether during the year, some 370,000 square feet were added to Bhs trading space. This was an exceptional amount and space growth in the current year will be significantly less. At this stage there are firm plans for five new stores and two space management schemes in addition to a limited refurbishment programme.

The last year has seen a major reorganisation of the management of buying and merchandising into four distinct functions: design and product development; buying; planning and supply base management; and trading and replenishment. These functions are all represented through internal promotions on a strengthened Bhs Board and have already led to improvements in range planning, quality and availability. To support these processes, Bhs is developing new software covering planning, critical path and availability management. Most of these systems will be operational by the end of the summer. At the same time in-store systems are being upgraded and product bar coding introduced.

Further steps have been taken to evaluate and rationalise the supply base. The number of active clothing suppliers going forward has been reduced from 159 at the beginning of the year to 106 currently. In addition a small group of suppliers has been identified which will account for an increasing proportion of Bhs' needs in the future. Memoranda of Understanding are now being signed with these suppliers to ensure effective partnerships and the quality and option availability our customers demand.

At the same time, Bhs and its suppliers have made a major drive to improve quality standards through more rigorous quality assurance processes. Packaging has been reduced and wherever possible recycled, both on cost and environmental grounds.

Lastly, Bhs had continued to invest heavily in building brand value and communicating with its target customer, described as today's women, in her thirties and family minded, who wants to look and feel good in, or about, the product she buys for herself, her husband, her children and her home. This is an on-going challenge as the external perception of Bhs still lags behind experience in the stores. For the second year running, Bhs used TV advertising to convey the fashionability, quality and value of Bhs merchandise as well as a sense of fun and excitement. Research shows that the two campaigns have successfully communicated change and improvement; the challenge in 1996 is to communicate more specifically what the customer can expect of Bhs, particularly during those key times in the trading calendar such as Christmas and Back-to-School when Bhs is a destination store.

With a growing emphasis on the importance of design, Bhs is again sponsoring the Bhs Graduate Fashion Week, the showcase for new graduates from Britain's leading fashion colleges. In addition, Bhs has encouraged new talent, including sponsoring two Paul Frith collections at London Fashion Weeks.

During the year, as part of its communication with its customers, Bhs has supported a number of charities. It raised over £150,000 through in-store sales of badges on behalf of Breast Cancer Care; it has sponsored Frogwatch, organised by the Wildlife Trust, which involves children in a nation-wide survey of the endangered frog population; and it has chosen Barnados as Bhs' major charity partner. One of the first events in this partnership has been a young model and fashion show competition, the One and Only Clothes Co Show, with a catwalk final at Bhs Graduate Fashion Show.

Dividends

Dividends on the preference stocks have been proposed at a cost of £26,000, this represents amounts due to Storehouse PLC, the Company's ultimate parent company, for 1996. An interim dividend on the ordinary shares of £22,479,000 has been paid.

Share capital

No shares were issued during the year. Details of outstanding options are given in note 15 on page 12.

Employee involvement

Continuing its established approach of linking employee reward with business performance, Bhs, successfully launched `Profit from Success' profit related pay schemes for a second year.

Incentive plans related to sales performance operate in stores, rewarding individual store team performance. Senior Managers participate in annual incentive plans which are related to company profits, departmental objectives and individual performance. This is an important part of the Company's strategy to attract, motivate and retain high calibre managers, while focusing on continuing to improve business performance.

A comprehensive communication and involvement programme supports incentive plans, including the use of newspapers, face to face briefings and videos, ensuring all employees understand operations and financial progress.

The Storehouse Group considers it important that all employees should have an interest through its Share schemes in the Company's shares. The 1996 Sharesave Scheme will take advantage of the recent changes in the law reducing the minimum level of employee savings to £5 per month and the minimum saving period to three years. In addition approval is being sought at this year's Storehouse Annual General Meeting to introduce Option 2000, a share option scheme for all except the most senior employees. Further details of Option 2000 are given in the Chairman's letter which accompanies the Storehouse Annual Report.

Employee development remains a high priority, with increased investment in skill building, in particular in the buying and merchandising functions and stores.

Disabled employees

The company ensures that disabled people are given due consideration for employment opportunities, and if employees become disabled every effort is made to retain them, providing requisite employment aids. Bhs is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds.

Creditor Payment Policy

Payments are made to merchandise suppliers in accordance with the general conditions of purchase (which are communicated to suppliers) or the specific terms agreed with suppliers. It is the Group's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 30 days of date of invoice.

Donations

The total amount donated for charitable purposes was £10,000 (1995 £10,000).

Directors and their interests

The directors who held office during the year were:

K Edelman Chairman and Chief Executive
S Bedford
N Franks
R J Steele

The share interests of the directors of the Company, who, with the exception of N Franks, are also directors of Storehouse PLC, are disclosed in the accounts of Storehouse PLC.

The share interests of N Franks in Storehouse PLC are disclosed in note 18.

No director held any Mortgage Debenture Stock in the Company during the year.

Directors' Responsibilities for the Accounts

The following statement has been prepared, in accordance with the Cadbury Code of Best Practice, in order to explain the directors' responsibilities for preparing the accounts. It should be read in conjunction with the Auditors' Report set out on page 14.

The directors are required by Company law to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of its financial year, and of the profit of the Group for the financial year. The directors are also required to ensure that adequate accounting records are maintained, which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the accounts comply with the Companies Act 1985. In preparing the accounts, the directors consider that appropriate accounting policies consistently applied and supported by reasonable and prudent judgements have been used. Applicable accounting standards have been followed. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Tangible assets

Information relating to changes in tangible fixed assets is given in note 8 to the accounts.

The directors are of the opinion that the value of the Group's properties at 30 March 1996 is not less than the amount stated in the accounts.

Auditors

A resolution to re-appoint the auditors, Arthur Andersen, and authorising the directors to fix their remuneration, will be proposed at the forthcoming Annual General Meeting.

Registered Office:

Marylebone House
Marylebone Road
London NW1 5QD

By order of the Board
G A Johnson
Secretary

GROUP PROFIT AND LOSS ACCOUNT
for the 52 weeks ended 30 March 1996 (Note 1)

	Note	GROUP 1996 £000	1995 £000
Turnover (excluding sales taxes)	2	748,951	758,500
Cost of sales		(671,646)	(689,304)
Gross profit		77,305	69,196
Administration expenses		(12,201)	(14,867)
Profit from retail operations	3	65,104	54,329
Exceptional item	5	(2,852)	-
Net interest received and receivable	6	2,322	4,847
Profit on ordinary activities before taxation		64,574	59,176
Tax on profit on ordinary activities	7	(17,095)	(13,567)
Profit for the financial year		47,479	45,609
Dividends paid and proposed on equity and non-equity shares		(22,505)	(131)
Retained profit for the year		24,974	45,478

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the 52 weeks ended 30 March 1996

	1996 £000	1995 £000
Company	22,541	43,710
Subsidiary Undertakings	2,433	1,768
Profit for the financial year, being the total recognised gains and losses.	24,974	45,478

The movement on reserves is shown in note 16.

The notes on pages 5 to 14 form an integral part of these statements.

BALANCE SHEETS
at 30 March 1996 (Note 1)

		GROUP		COMPANY	
	Note	1996 £000	1995 £000	1996 £000	1995 £000
FIXED ASSETS					
Tangible assets	8	277,055	206,332	275,769	205,692
Investments	10	-	-	1,820	1,821
		277,055	206,332	277,589	207,513
CURRENT ASSETS					
Stocks		80,625	75,347	79,931	74,723
Debtors	12	40,480	45,297	41,332	46,185
Cash at bank and in hand		35,499	89,681	6,738	62,706
		156,604	210,325	128,001	183,614
CREDITORS: Amounts falling due within one year	13	(183,752)	(158,459)	(184,241)	(159,010)
NET CURRENT ASSETS (LIABILITIES)		(27,148)	51,866	(56,240)	24,604
TOTAL ASSETS LESS CURRENT LIABILITIES		249,907	258,198	221,349	232,117
CREDITORS: Amounts falling due after more than one year					
Corporation tax	7	(259)	(211)	-	-
Amounts due to Parent Company		-	(35,261)	-	(35,261)
Landlords' contributions		(8,412)	(7,247)	(8,412)	(7,247)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,640)	(857)	(1,635)	(848)
NET ASSETS		239,596	214,622	211,302	188,761
CAPITAL AND RESERVES					
Called-up share capital	15	53,633	53,633	53,633	53,633
Share premium account	16	13,094	13,094	13,094	13,094
Profit and loss account	16	172,869	147,895	144,575	122,034
SHAREHOLDERS' FUNDS	16	239,596	214,622	211,302	188,761
ANALYSIS OF SHAREHOLDERS' FUNDS					
Equity interests		239,196	214,222	210,902	188,361
Non-equity interests		400	400	400	400

Signed on behalf of the Board

K Edelman Director
R J Steele Director

23 May 1996

The notes on pages 5 to 14 form an integral part of these balance sheets.

NOTES TO THE ACCOUNTS

1. Accounting policies

The principal accounting policies of the Group, all of which have been applied consistently throughout the year and the preceding year, are set out below.

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

BASIS OF CONSOLIDATION - The Group accounts include the accounts of the Company and all its subsidiary undertakings drawn up to the close of business on 30 March 1996.

Intercompany transactions have been eliminated on consolidation. The results of companies disposed of in the year are included to the date of disposal. As provided by the Companies Act 1985, the Company does not disclose its own separate profit and loss account.

STOCKS - Stocks consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Cost includes an appropriate element of overhead expenditure.

LEASED ASSETS - All the Group's leased assets are under operating leases. Operating leases are charged to profit and loss as incurred.

DEFERRED TAXATION - Deferred taxation is provided on the excess of capital allowances over book depreciation and in respect of short-term timing differences to the extent that the directors are of the opinion that such tax will become payable in the foreseeable future.

TANGIBLE FIXED ASSETS - Tangible fixed assets are included at cost, less accumulated depreciation. Depreciation is not provided on freehold stores as it is the Group's practice to maintain these assets in a continual state of sound repair. Accordingly, the directors consider that the lives of these assets and the residual values based on prices prevailing at time of acquisition are such that any depreciation charge would be insignificant. Depreciation is charged on a straight-line basis over the following periods.

Freehold buildings (other than stores) - 50 years
Fixed equipment in freehold buildings - up to 20 years
Leasehold improvements - The shorter of 35 years and the period of the lease
Fixtures, fittings and equipment - 3 to 10 years.

Freehold land is not depreciated

PENSION COSTS - The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term costs. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees.

FOREIGN CURRENCY - Transactions in foreign currencies are translated into local currency at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into local currency at the rates ruling at each balance sheet date. Resulting exchange gains or losses are included in profit from retail operations.

INVESTMENTS - The Company's investments in subsidiary undertakings are stated at cost less amounts written off. Dividends receivable are credited to the Company's profit and loss account.

TURNOVER - Group turnover comprises the value of sales (excluding sales taxes and net of discounts) of goods in the normal course of business.

CASHFLOW STATEMENT - No cashflow has been prepared because the cashflows of the Group are included in the consolidated accounts of its ultimate parent company Storehouse PLC.

2. Segment information

The group carries on a single class of business, being retailing of clothing and household goods, predominantly within the UK.

3. Profit from retail operations

	1996	1995
	£000	£000
Profit from retail operations of £65,104,000 (1995 £54,329,000) is stated after charging:		
Depreciation	24,562	22,167
Hire of equipment	5,994	5,935
Rent of properties	62,874	60,537
Auditors' remuneration	56	56
Staff costs (note 4)	79,823	80,217

Arthur Andersen, the Company's auditors received £4,000 for non audit services in 1996. (1995 £Nil)

4. Directors and employees

The remuneration of the Directors in 1996 and 1995 was paid by Storehouse PLC for services to the Storehouse Group as a whole.

An analysis of the average number of full and part time employees throughout the Group, is as follows:

	1996	1995
	Number	Number
UK Stores - Full-time	2,850	3,016
- Part-time	10,772	10,927
UK Head Office	587	546
Overseas	116	72
	14,325	14,561

Staff costs during the year amounted to:	1996	1995
	£000	£000
Wages and salaries	76,343	76,484
Social security costs	3,930	4,183
Other pension costs (notes 14 & 19)	(450)	(450)
	79,823	80,217

5. Exceptional item

The exceptional item represents the loss on disposal of stores relating to One Up. Assets sold as part of this transaction were also held in other Storehouse group companies. The aggregate profit on disposal is disclosed in the accounts of Storehouse PLC.

6. Net interest receivable/(payable)

	1996 £000	1995 £000
Interest payable:		
On bank and other loans and overdrafts repayable within 5 years not by instalments	(732)	-
Interest receivable	3,054	4,847
	2,322	4,847

7. Taxation

The taxation charge for the year comprises:	1996 £000	1995 £000
Current:		
UK Corporation tax at 33% (1995 33%)	16,155	18,075
Overseas taxation	300	234
	16,455	18,309
Deferred taxation:		
Parent company	1,237	(3,196)
Overseas	(4)	4
	1,233	(3,192)
	17,688	15,117
Adjustments in respect of prior years:		
Current taxation	(593)	(1,550)
	17,095	13,567

The taxation charge for 1996 would have been £16,768,000 (1995 £20,226,000) had full provision been made for deferred taxation.

United Kingdom corporation tax of £15,875,000 is payable on 1 January 1997 and is included with other tax liabilities in creditors due within one year (1995 £17,707,000 payable on 1 January 1996).

Overseas tax of £480,000 is payable: £221,000, payable on 1 January 1997, is included with other tax liabilities in creditors due within one year (1995 £184,000 payable on 1 January 1996), and £259,000, payable on 1 January 1998, is included in creditors due after more than one year (1995 £211,000 on 1 January 1997).

8. Tangible assets

The net book value of leasehold properties includes £84,111,000 (1995 £48,867,000) in respect of short leasehold properties in the case of the group and £83,505,000 (1995 £48,571,000) in the case of the Company.

No interest has been capitalised during the year (1995 £ Nil).

Group	Properties including fixed equipment		Fixtures, fittings and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
Cost				
At 2 April 1995	9,286	166,160	213,902	389,348
Additions	1,382	60,956	42,156	104,494
Disposals	(3,443)	(5,038)	(22,212)	(30,693)
At 30 March 1996	7,225	222,078	233,846	463,149
Depreciation				
At 2 April 1995	707	44,106	138,203	183,016
Charge for the year	53	6,144	18,365	24,562
Disposals	(36)	(2,086)	(19,362)	(21,484)
At 30 March 1996	724	48,164	137,206	186,094
Net book value				
At 30 March 1996	6,501	173,914	96,640	277,055
At 2 April 1995	8,579	122,054	75,699	206,332

8. Tangible assets (continued)

Company	Properties including fixed equipment Freehold £000	Leasehold £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At 2 April 1995	9,270	165,487	212,558	387,315
Additions	1,382	60,605	41,718	103,705
Disposals	(3,443)	(5,038)	(22,212)	(30,693)
At 30 March 1996	7,209	221,054	232,064	460,327
Depreciation				
At 2 April 1995	706	43,760	137,157	181,623
Charge for the year	53	6,117	18,249	24,419
Disposals	(36)	(2,086)	(19,362)	(21,484)
At 30 March 1996	723	47,791	136,044	184,558
Net book value				
At 30 March 1996	6,486	173,263	96,020	275,769
At 2 April 1995	8,564	121,727	75,401	205,692

9. Capital commitments

	1996 £000	1995 £000
Capital commitments are as follows:		
Contracted for but not provided for - Company and Group	10,784	55,491
Authorised but not contracted for - Company and Group	52,366	30,077
	63,150	85,568

10. Investments

	Company 1996 £000	1995 £000
Subsidiary undertakings (note 11)	1,820	1,821

11. Subsidiary undertakings

Shares in subsidiary undertakings	Company 1996 £000	Company 1995 £000
At beginning of year	1,821	1,832
Amounts written off during the year	(1)	(11)
At end of year	1,820	1,821

At the balance sheet date the company holds directly or indirectly 100% of the ordinary share capital of the following subsidiary undertakings, which are registered in England and Wales unless otherwise shown:

Trading Companies

Bhs (Jersey) Limited
(incorporated in Jersey)

Non-trading Companies

The One and Only Clothes Co. Limited

British Home Stores Limited

Irish Home Stores Limited
(incorporated in Republic of Ireland)

Scottish Home Stores Limited

Henry's Basement Limited

BHS SA
(incorporated in Spain)

BhS Limited
(incorporated in Hong Kong)

BHS UNIVERSAL LIMITED
(formerly One Up Retail Limited)

12. Debtors

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Amounts falling due within one year:				
Trade debtors	17,025	15,461	17,023	15,460
Amounts owed by subsidiary undertakings	-	-	1,045	1,044
Amounts owed by other group undertakings	1,555	3,321	1,555	3,321
Other debtors	7,123	5,870	7,090	5,870
Prepayments and accrued income	8,168	13,330	8,010	13,175
	33,871	37,982	34,723	38,870
Amounts falling due after more than one year:				
Amounts owed by CSC Computer Sciences Limited	5,695	6,084	5,695	6,084
Other debtors	914	1,231	914	1,231
	6,609	7,315	6,609	7,315
	40,480	45,297	41,332	46,185

13. Creditors: Amounts falling due within one year

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Bank overdraft	23,881	-	23,881	-
Trade creditors	44,968	46,714	44,968	46,714
Amounts owed to subsidiary undertakings	-	-	210	210
Amounts owed to other group undertakings	24,265	23,080	24,265	23,080
Taxation and social security	40,050	41,350	40,410	41,744
Other creditors	1,366	8,383	1,318	8,355
Accruals	45,802	36,172	45,769	36,147
Landlords' Contributions	3,420	2,760	3,420	2,760
	183,752	158,459	184,241	159,010

14. Provisions for liabilities and charges

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Pensions	450	900	450	900
Deferred taxation	1,190	(43)	1,185	(52)
	1,640	857	1,635	848

Pensions

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
At beginning of year	900	1,350	900	1,350
Utilised during the year	(450)	(450)	(450)	(450)
At end of year	450	900	450	900

Deferred taxation

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
At beginning of year	(43)	3,149	(52)	3,144
Charged/(credited) to profit and loss account	1,233	(3,192)	1,237	(3,196)
At end of year	1,190	(43)	1,185	(52)

The deferred taxation provision comprises:

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Provision in respect of:				
Capital allowances	5,000	3,000	5,000	3,000
Other timing differences	(3,810)	(3,043)	(3,815)	(3,052)
	1,190	(43)	1,185	(52)
The further potential liability is: Capital allowances	10,840	11,167	10,840	11,167
	12,030	11,124	12,025	11,115

15. Called-up share capital

	Authorised	Issued and fully paid	
		1996	1995
	£000	£000	£000
Attributable to equity interests:			
Ordinary shares at 25p each	60,000	53,233	53,233
Attributable to non-equity interests:			
400 7% cumulative preference shares at £1 each (4.9% plus tax credit)	400	400	400
	60,400	53,633	53,633

Holders of the preference shares are entitled to a fixed cumulative preferential dividend of 7% per annum. On a winding up of the Company holders of the preference shares are entitled to repayment of the capital amount together with any arrears or accrual of the preference dividends in priority to any payment on any other class of share.

SHARE OPTIONS

The Bhs Savings-Related Share Option Scheme

Options granted under this scheme since August 1986 have been for shares in Storehouse PLC and not in the Company. There are no outstanding options granted under this scheme for shares in the Company.

16. Reserves

	Group £000	Company £000
Share premium account		
At 2 April 1995 and 30 March 1996	13,094	13,094

	Group £000	Company £000
STATEMENT OF RETAINED PROFITS		
Retained profits at beginning of the year	147,895	122,034
Profit for the year	47,479	45,046
Dividends paid and proposed	(22,505)	(22,505)
Retained profit at end of the year	172,869	144,575

	Group 1996 £000	Group 1995 £000
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Shareholders' funds at beginning of the year	214,622	169,144
Profit for the year	47,479	45,609
Dividends paid and proposed	(22,505)	(131)
Shareholders' funds at end of the year.	239,596	214,622

17. Leasing commitments

Current annual rental commitments under operating leases are as follows:

	1996 £000	1995 £000
Property:		
Leases which expire - within 1 year	55	61
- between 2 and 5 years	139	122
- over 5 years	62,319	61,377
	62,513	61,560
Non Property:		
Leases which expire - within 1 year	3,307	3,566
- between 2 and 5 years	8,322	6,661
	11,629	10,227
	74,142	71,787

18. Directors' interests

The share interests of the directors of the company, who, with the exception of N Franks, are also directors of Storehouse PLC, are disclosed in the accounts of Storehouse PLC.

The share interests of N Franks in Storehouse PLC are as follows:

	Ordinary Shares Under Option			
	1996 Number	1995 Number	Date of Grant	Option Price
N Franks	96135	96135	May 94	208p
	75757		May 95	264p
	8136*		June 95	212p

*SAYE
All options were granted under the Storehouse Executive Share Option Scheme and are exercisable between three and ten years after the date of grant.

19. Pension costs

Employees of the Company are members of the defined benefit pension schemes operated by the Storehouse Group for its UK employees. The majority of the assets of each of the schemes are held in a separate trustee Common Investment Fund.

The pension costs relating to the schemes were assessed in accordance with the advice of qualified actuaries using primarily the projected unit and current unit methods. The latest actuarial valuations were carried out on 1 April 1994.

The assumptions which have the most significant effect on the results of the valuations are set out below:

Rate of return on investments	9%
Rate of increase in salaries	7% - 8%
Rate of increase in pensions	4.5%

The aggregate market value of the investments at 1 April 1994 was £292.6 million and the actuarial values were sufficient to cover between 130 percent and 165 percent (average 138 per cent) of the benefits that had accrued to members after allowing for expected future increases in earnings.

The total pension cost for the Group includes a credit of £6,994,000 (1995 £6,687,000) in respect of the amortisation of pension surpluses arising in prior years which are now being allocated over the remaining service lives of employees of between 6 and 16 years.

For the protection of members' interests, the Group has appointed three trustees, two of whom are independent of the Company. To maintain this independence, the Trustees and not the Group, are responsible for appointing their own successors.

20. Contingent Liability

Under the group banking arrangement the Company is a party to set off against other Storehouse Group member bank accounts. The Company is also party to a Storehouse Group VAT registration.

21. Ultimate Parent company

The Company is a subsidiary undertaking of Storehouse PLC, which is the Company's ultimate parent not company and is registered in England and Wales.

The largest group which consolidates the results of the Company and its subsidiary undertakings is that headed by Storehouse PLC. The smallest group in which the results of the Company are consolidated is that headed by Bhs plc. The consolidated accounts of Storehouse PLC are available to the public and may be obtained from Marylebone House, Marylebone Road, London.

AUDITORS' REPORT

To the shareholders of Bhs plc

We have audited the accounts on pages 3 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 30 March 1996 and of the Group's profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London WC2R 2PS

23 May 1996