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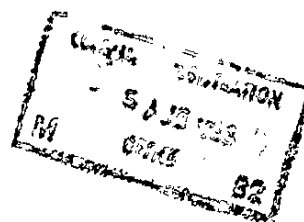
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BHS

BRITISH HOME STORES PLC

REPORT AND ACCOUNTS

1987-88



DIRECTORS' REPORT

The directors submit their report on the accounts for the fifty-two weeks to 2 April 1988.

Review of the business

The group's principal activity continues to be that of retailers through variety chain stores throughout the United Kingdom and in Ireland and Jersey.

Sales for the year of £628m were 0.3 per cent lower than last year. The profit on ordinary activities before taxation of £86.8m showed an increase of 7.2 per cent. The charge for taxation of £30.2m represents 34.8 per cent of profits compared with 34.7 per cent for the previous year. The profit for the year after taxation and before the extraordinary item was £56.6m.

The extraordinary item of £1.6m (net of tax) represents takeover bid defence costs.

During 1987, the company has concentrated on building its new image. Teams of specialist designers have worked closely with the buying divisions to create a fresh, new look in women's fashion, menswear, children's clothes and housewares. This new merchandise is now in our stores in depth with more to come in the Autumn. At the same time, we continue to strengthen our high standards of quality and value.

The fundamental refurbishment programme of the stores is complete. New stores opened in Harrow and Mansfield with major extensions completed in the premier Oxford Street store, and at Perth and Lowestoft. There are now 130 stores in the UK including four specialist lighting shops.

Achieving the most effective use of trading space has been an important new initiative. The first opportunities have already been created for other Storehouse companies to share BHS's trading position and for new concessions. During the year, Richards opened in 13 BHS stores, and Mothercare now trades from space in BHS Belfast. Both Habitat and Mothercare will open their first stores in the Republic of Ireland within BHS Dublin.

BHS has introduced Special Eyes optician concessions into five stores this year, and hairdressing into three stores.

Overseas franchises have been extended to Bahrain, Dubai, Abu Dhabi, Riyadh, Oman and Hong Kong and will become an important profit stream. Franchises planned for the current year are in Malta, Kuwait, Cyprus, Helsinki, Jeddah, Nassau and a second store in Dubai. There is no doubt that the success of the new BHS formula has created these opportunities.

The store refurbishment programme, coupled with new and tested methods of presentation of the vastly improved product range will increase the public's awareness of BHS. This and the provision of space for other Storehouse companies will increase sales densities and profitability. We look forward to a very bright future.

Dividends

Dividends on the preference stocks have been paid at a cost of £27,000.

The directors recommend a final dividend of £30,000,000. After the payment of dividends, the amount transferred to reserves is £25.0m.

Share capital

During the year 29,521 shares were issued on exercising of share options. Details of the issues and of outstanding options are given in note 19 on page 14.

Employee involvement

BHS continues to attach a high level of importance to all forms of employee involvement, communication and consultation existing throughout the Company.

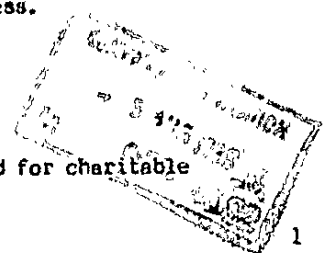
The newly established Regional Staff Consultative Councils and the revitalised house magazine 'Storetalk' have both been well received and enjoyed a successful first year of operation.

Disabled Employees

The group continues to do all that is practicable to meet its responsibility to employ disabled persons. It is the group's policy to give due consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Continued employment and training of an employee who becomes disabled while employed by the group will be influenced by what is medically and practically in the best interests of the individual. Training and promotion of a disabled employee will be appropriate to the job and career in the business.

Donations

The total amount donated for charitable purposes was £106,000.



DIRECTORS' REPORT continued

Directors

The directors of the company at the date of this report are:-

F H W Lister	Chairman
G Davy	Chief Executive
	Appointed 18 September 1987
P Diamond	Deputy Chief Executive
A G Anderson	Appointed 18 September 1987
J R Hobson	
D H Maynard	Appointed 18 September 1987
A T Newman	Appointed 18 September 1987
J S Stephenson	Appointed 6 April 1987
M Toogood	Appointed 18 September 1987
Sir Terence Conran	
T P Goddard	Appointed 6 April 1987
K P Jones	Appointed 6 April 1987
R A Nethercott	
J F Power	

Mr D P Cassidy and Mr C B Williams resigned from the Board on 18 September 1987. On that date Mr F H W Lister was appointed Chairman, Mr G Davy was appointed as Chief Executive and Mr P Diamond was appointed Deputy Chief Executive. Mr N McArthur retired from the Board on 31 October 1987.

In accordance with the provisions of article 107 of the company's articles of association Sir Terence Conran, Mr J F Power and Mr P Diamond retire as directors and, being eligible, offer themselves for re-election.

In accordance with the provisions of article 86 of the company's articles of association Mr G Davy, Mr A G Anderson, Mr D H Maynard, Mr A T Newman and Mr M Toogood retire as directors and, being eligible, offer themselves for re-election.

Directors' interests

The interests of directors who are also directors of Storehouse PLC are shown in the accounts of that company. The interests of directors who were not also directors of Storehouse PLC at 2 April 1988 in the shares and stock of Storehouse PLC, being the company's holding company, were as follows:

Beneficial interest	Ordinary shares		9% Convertible loan stock		Ordinary shares under option	
	1988	1987	1988	1987	1988	1987
	Shares	Shares	£	£	£	£
A G Anderson	3,041	3,041 **			59,539	59,539 **
J R Hobson	1,436	1,196			75,805	69,053
D H Maynard	1,725	1,725 **			61,743	61,743 **
A T Newman	2,500	2,500 **	142	142 **	61,562	61,562 **
M Toogood	1,731	1,731 **	58	58 **	64,519	64,519 **
R A Nethercott	1,894	1,654	61	61	77,050	65,042

* Options granted under the Storehouse Executive Share Option Scheme, the Storehouse Sharesave Scheme and The BHS Savings-Related Share Option Scheme.

** Interests on date of appointment.

No director held any mortgage debenture stock in the company during the year. There have been no changes in the directors' interests in the shares and stock of Storehouse PLC from 2 April 1988 to 1 June 1988.

During the year no director was materially interested in any contract which was significant in relation to the company's business.

London, 1 June 1988

G. A. Johnson

By order of the board
G.A. Johnson
Secretary

Tangible assets

During the year, assets with a net book value of £110m were transferred to Storehouse Properties Ltd, another subsidiary of Storehouse PLC, at book amount.

The directors are of the opinion that the value of the group's properties at 2 April 1988 is not less than the amount stated in the accounts.

Auditors

A resolution to re-appoint the auditors, Arthur Andersen & Co., and authorising the directors to fix their remuneration, will be proposed at the forthcoming annual general meeting.

Taxation status

The company is not a close company as defined in the Income and Corporation Taxes Act 1970.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 weeks to 2 April 1988 (Note 1)

		GROUP	
	Note	1988 £000	1987 £000
Turnover (including value added tax)		627,546	629,360
Value added tax		<u>67,243</u>	<u>66,070</u>
Turnover (excluding value added tax)		560,303	563,280
Cost of sales		<u>471,560</u>	<u>478,357</u>
Gross profit		88,743	84,923
Administrative expenses		<u>14,715</u>	<u>14,282</u>
Trading profit	2	74,028	70,641
Net profit on disposal of properties		5,434	3,278
Share of profit of related company		10,040	8,474
Net interest payable	4	(1,900)	(257)
Contribution to employees share participation schemes		<u>(832)</u>	<u>(1,173)</u>
Profit on ordinary activities before taxation		86,770	80,963
Tax on profit on ordinary activities	5	<u>30,188</u>	<u>28,061</u>
Profit on ordinary activities after taxation and before extraordinary item		56,582	52,902
Extraordinary item	6	<u>1,564</u>	<u>-</u>
Profit for the financial year		58,018	52,902
Dividends	7	<u>30,027</u>	<u>90,045</u>
Transfer to reserves		<u>24,991</u>	<u>(37,143)</u>

A statement of the movement on reserves is shown in note 20

The notes on pages 6 to 15 form part of these accounts.

BALANCE SHEETS
at 2 Apr11 1988 (Note 1)

PARENT			GROUP	
1987 £000	1988 £000	Note	1988 £000	1987 £000
267,888	165,882	FIXED ASSETS		
<u>22,691</u>	<u>22,691</u>	Tangible assets	8	171,373
		Investments	10	<u>51,855</u>
290,579	188,573			<u>223,228</u>
				275,600
				<u>32,794</u>
				308,394
		CURRENT ASSETS		
68,819	75,413	Stocks	14	<u>77,913</u>
15,224	74,772	Debtors		<u>80,100</u>
<u>21,392</u>	<u>20,186</u>	Cash at bank and in hand		<u>27,247</u>
105,435	170,371			185,260
		CREDITORS: amounts falling due within one year	15	<u>141,162</u>
<u>133,713</u>	<u>142,682</u>			<u>113,519</u>
				13,509
				<u>27,517</u>
(28,278)	27,689			113,545
		NET CURRENT (LIABILITIES)/ASSETS		<u>44,098</u>
262,301	216,262			(18,948)
		TOTAL ASSETS LESS CURRENT LIABILITIES		267,326
60,000	-	CREDITORS: amounts falling due after more than one year	16	-
26,946	26,909	Amount owed to holding company	17	60,000
-	-	Loan capital	5	26,946
		Corporation tax		213
4,275	6,206			4,766
<u>171,080</u>	<u>183,147</u>	PROVISION FOR LIABILITIES AND CHARGES	18	<u>6,621</u>
				<u>233,534</u>
53,556	53,563	CAPITAL AND RESERVES	19	53,563
12,775	12,808	Called up share capital	20	43,556
2,086	-	Share premium account	20	12,775
102,663	116,776	Revaluation reserve	20	12,578
		Profit and loss account	20	154,585
				129,104
				<u>197,521</u>
				<u>233,534</u>
				<u>197,521</u>

F H W LISTER
G DAVY
Directors

Approved 1 June 1988

The notes on pages 6 to 15 form part of these accounts.

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
For the 52 weeks to 2 April 1988 (Note 1)

	1988 £000	1987 £000
Source of funds		
Generated from operations		
Profit on ordinary activities before taxation	86,770	80,963
Depreciation	20,024	18,160
Profit on disposal of properties	(5,434)	(3,278)
Share of profit of related company	(10,040)	(8,474)
	91,320	87,371
Other sources		
Share capital	40	1,478
Disposal of tangible assets	2,655	631
Sale and leaseback of properties	9,169	4,731
Sale of properties to group company	118,069	-
Loan repayment from related company	-	11,500
	129,933	18,340
	221,253	105,711
Application of funds		
Capital expenditure - tangible assets	41,852	63,070
Dividends	30,027	30,055
Corporation tax	16,391	18,310
Redemption of mortgage debenture stock	37	132
Extraordinary item costs	2,405	9,200
	90,712	120,767
	130,541	(15,056)
Working capital changes		
Increase in stocks	7,394	3,814
Increase/(decrease) in debtors	6,522	(7)
Increase in credit	(1,224)	(14,044)
	12,692	(10,237)
Decrease in net liquid funds	(220)	(4,819)
Increase in intra-group balances	118,069	-
	130,541	(15,056)

Net liquid funds comprises cash at bank and in hand less the bank overdraft.

NOTES TO THE ACCOUNTS

1. Accounting policies

The principal accounting policies of the group are set out below.

- i. **Accounting Convention** The accounts have been prepared under the historical cost convention, modified to include certain properties at a valuation made in 1960
- ii. **Basis of Consolidation** The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries for the fifty-two weeks to 2 April 1988 (comparative figures are for the fifty-three weeks to 4 April 1987). Under the provisions of the Companies Act 1985 the company is not required to publish its own Profit and Loss Account.
- iii. **Related company** The group proportion of the net income of its related company - in which the group has a 50% interest and over which it exercises significant control - is included in the consolidated profit and loss account. The investment in this company represents the group proportion of its net assets.
- iv. **Currency translation** All assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date with the exception of non-monetary assets which are translated at the rates of exchange ruling when these were acquired. The results of overseas subsidiaries are translated into sterling at average monthly rates of exchange. All exchange differences are treated as part of the results for the year.
- v. **Turnover** The amount reported as turnover represents sales at the group's stores and sales to franchisees.

- vi. **Tangible assets** Tangible assets are stated at cost or valuation after deducting depreciation, and include all expenditure of a capital nature. Interest on funding store developments prior to the store opening is capitalised gross.

Depreciation is provided on freehold buildings where, in the opinion of the directors, the residual value of a building is less than its carrying value. This represents a change of accounting policy, the effect of which is not material to the accounts and the prior years' effect has therefore been reflected as a movement on reserves.

Depreciation is charged on a straight-line basis over the following periods:

Freehold buildings - 50 years
 Leasehold properties with more than 99 years to run - 100 years.
 Leasehold properties with less than 100 years to run - the lease term.
 Fixed equipment included in properties - 20 years.
 Fixtures, furnishings and equipment - 3 to 10 years depending on the nature of the asset.

- vii. **Leased assets** The group's principal leased assets are its properties which qualify for accounting as operating leases under the terms of SSAP 21. Annual rentals are charged directly to the profit and loss account.
- viii. **Stocks** Stocks, which consist primarily of goods held for resale, are valued at selling prices less an appropriate margin to reduce them to the lower of cost and net realisable value, except where the actual cost is known.
- ix. **Deferred taxation** Provision for deferred taxation is made using the liability method. No provision is made where there is reasonable probability that no liability will arise in the foreseeable future.

2. Trading profit

The trading profit of £74,028,000 (1987 £70,641,000) is stated after charging:

Auditors' remuneration
 Hire of equipment
 Rent of properties
 Depreciation and amortisation

	1988	1987
	£000	£000

	54	47
	987	802
	20,244	15,850
	20,124	18,160

NOTES TO THE ACCOUNTS

3. Directors and employees

The emoluments of the directors of the company were as follows:

Fees for services as directors
Other emoluments, including pension contributions and benefits
Payments to directors on relinquishing office

1980
£000

1987
£000

-	21
749	802
122	36
<u>871</u>	<u>859</u>

The emoluments of the directors of the company, excluding pension contributions, were as follows:

Chairman - Sir Maurice Hodgson
- Mr D P Casaldi
- Mr F H W Lister
Highest paid director

£

£

-	79,158
94,068	-
47,645	-
-	121,830

All directors in emolument scales

Number

Number

Nil
£10,001 - £15,000
£25,001 - £30,000
£45,001 - £50,000
£50,001 - £55,000
£55,001 - £60,000
£65,001 - £70,000
£70,001 - £75,000
£80,001 - £85,000
£90,001 - £95,000
£100,001 - £105,000
£105,001 - £110,000

6	1
-	2
4	1
-	1
-	2
1	-
1	1
1	-
2	2
1	-
1	1
1	-

Employees whose emoluments exceeded £30,000 were as follows:

£30,001 - £35,000
£35,001 - £40,000
£40,001 - £45,000
£50,001 - £55,000
£65,001 - £70,000

37	9
8	7
10	5
-	1
1	-

The average weekly number of employees during the year was made up as follows:

UK Stores - Full-time
- Part-time
UK Head Office
Overseas

5,558	6,463
11,009	12,535
1,194	1,363
371	414
<u>18,132</u>	<u>20,775</u>

Staff costs during the year amounted to:

£000

£000

Wages and salaries
Social security costs
Contribution to pension funds

65,561	68,216
3,853	3,866
2,050	3,585
<u>71,464</u>	<u>75,667</u>

NOTES TO THE ACCOUNTS

	1988 £000	1987 £000
4. Net interest payable		
Interest payable:		
On loans repayable after five years	(209)	(219)
On bank and other loans and overdrafts	(1,237)	(31)
	(1,446)	(250)
On loan stock from holding company (note 17)	(2,142)	(2,185)
	(3,588)	(2,433)
	1,688	2,176
Interest receivable	(1,900)	(257)
5. Taxation		
Current:		
United Kingdom	24,273	20,994
Corporation tax at 35%	3,668	2,875
Related company	677	672
Overseas	28,618	24,541
Deferred:		
United Kingdom	2,193	3,867
Parent company	(36)	(17)
Related company	(49)	8
Overseas	2,108	3,858
	30,726	28,419
	(538)	(358)
Adjustments to provision for earlier periods	30,188	28,061
<p>The taxation charge for 1988 would have been £29,130,000 (1987 £27,120,000) had full provision been made for deferred taxation.</p> <p>United Kingdom corporation tax of £10,238,000 (net of ACT surrendered by holding company) is payable on 1 March 1989 and is included in creditors due within one year (1987 - £7,850,000 payable on 1 April 1988). Overseas tax of £262,000 is payable on 1 January 1990 and is included in creditors due after more than one year (1987 - £213,000 payable on 1 January 1989).</p>		
6. Extraordinary item		
Takeover bid defence costs	2,405	-
	(841)	-
Taxation	1,564	-
7. Dividends		
Preference dividends	27	20
Ordinary dividends:		
Interim, paid	-	25
Final, proposed	30,000	30,000
	30,027	30,045

NOTES TO THE ACCOUNTS

8. Tangible assets

The net book value of leaseholds at 2 April 1988 in respect of leases with less than fifty years to run is £11,979,000 (1987 - £18,627,000) in the case of the group and £11,786,000 (1987 - £18,491,000) in the case of the company.

Additions for the group and for the company include £440,000 (1987 £222,000) in respect of capitalised interest.

Group	Properties including fixed equipment Freehold £000	Leasehold £000	Fixtures, furnishing and equipment £000	Assets under construction £000	Total £000
<u>Gross book value</u>					
At 5 April 1987	35,409	187,504	143,435	9,290	375,638
Cost	-	2,980	-	-	2,980
Valuation	35,409	190,484	143,435	9,290	378,618
Total	34	7,395	1,861	(9,290)	-
Transfers	2,157	16,444	21,992	1,259	41,852
Additions	(29,345)	(102,960)	(6,479)	-	(138,784)
Disposals	0,255	111,363	160,809	1,259	281,686
At 2 April 1988	-	-	-	-	-
Cost	-	-	-	-	-
Valuation	-	-	-	-	-
<u>Depreciation and amortisation</u>					
At 5 April 1987	951	31,252	70,815	-	103,018
Transfers	(144)	144	-	-	-
Provided	301	4,587	15,136	-	20,024
Other movements	1,596	-	-	-	1,596
Disposals	(1,702)	(9,144)	(3,479)	-	(14,325)
At 2 April 1988	1,007	26,839	82,472	-	110,318
<u>Net book values</u>					
At 2 April 1988	7,253	84,524	78,337	1,259	171,373
At 5 April 1987	36,458	159,232	72,620	9,290	275,600

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)	Properties including fixed equipment		Fixtures, furnishing and equipment £000	Assets under construction £000	Total £000
Parent	Freehold £000	Leasehold £000			
<u>Gross book value</u>					
At 5 April 1987					
Cost	28,603	187,118	141,096	9,290	366,107
Valuation	<u>-</u>	<u>2,980</u>	<u>-</u>	<u>-</u>	<u>2,980</u>
Total	28,603	190,098	141,096	9,290	369,087
Transfers	114	7,328	1,848	(9,290)	-
Additions	2,126	16,444	21,821	1,259	41,650
Disposals	<u>(27,246)</u>	<u>(102,960)</u>	<u>(6,443)</u>	<u>-</u>	<u>(136,649)</u>
At 2 April 1988					
Cost	3,597	110,910	158,322	1,259	274,088
Valuation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Depreciation and amortisation</u>					
At 5 April 1987	522	31,137	69,540	-	101,199
Transfers	(77)	77	-	-	-
Provided	260	4,570	14,876	-	19,706
Other movements	1,596	-	-	-	1,596
Disposals	<u>(1,702)</u>	<u>(9,144)</u>	<u>(3,449)</u>	<u>-</u>	<u>(14,295)</u>
At 2 April 1988	<u>599</u>	<u>26,640</u>	<u>80,967</u>	<u>-</u>	<u>108,206</u>
<u>Net book values</u>					
At 2 April 1988	<u>2,998</u>	<u>84,270</u>	<u>77,355</u>	<u>1,259</u>	<u>165,882</u>
At 5 April 1987	<u>28,081</u>	<u>158,961</u>	<u>71,556</u>	<u>9,290</u>	<u>267,888</u>

9. Capital commitments

	1988 £000	1987 £000
Commitments for future capital expenditure are estimated as follows:		
Contracted for but not provided in the accounts - Parent company	5,379	12,460
- Subsidiaries	13	-
Authorised by the directors but not contracted - Parent company	17,062	16,706
	<u>22,454</u>	<u>29,166</u>

10. Investments	Parent		Group	
	1988 £000	1987 £000	1988 £000	1987 £000
Group companies (note 11)	6,349	6,349	-	-
Related company (note 12)	16,342	16,342	51,855	32,794
Other investments (note 13)	-	-	-	-
	<u>22,691</u>	<u>22,691</u>	<u>51,855</u>	<u>32,794</u>

NOTES TO THE ACCOUNTS

11. Group companies

	Shares in group companies £000	Loans to group companies £000	Total £000
Cost At 5 April 1987 and 2 April 1988	<u>1,810</u>	<u>4,539</u>	<u>6,349</u>

The company holds directly or indirectly 100% of the share capital of the following subsidiaries, which are registered in England unless otherwise shown:

Trading companies

British Home Stores (Jersey) Limited
(Incorporated in Jersey)

BHS (Dublin) Limited
(Incorporated in Republic of Ireland)

Prova Investments (Ireland) Limited
(Incorporated in Republic of Ireland)

Henry's Basement Limited
(Incorporated in England)

Non-trading companies

BHS Pension Trustee Limited

British Home Stores (Wholesale) Limited

BHS Retail Limited

BHS Limited

Irish Home Stores Limited
(Incorporated in Republic of Ireland)

Scottish Home Stores Limited

12. Related company

The company holds 16,180,050 'A' Ordinary shares of £1 each, being 50% of the share capital of SavaCentre Limited, a company engaged in retailing through hypermarkets in the United Kingdom.

The investment in related company comprises:

	Shares in related company £000	Share of retained profits £000	Share of revaluation surplus £000	Group Total £000
Cost or amount under equity method of accounting At 5 April 1987	16,342	16,452	-	32,794
Group share of the retained profit for the 52 weeks to 13 February 1988	-	6,483	-	6,483
Group share of property revaluation surplus	-	-	<u>12,578</u>	<u>12,578</u>
At 2 April 1988	<u>16,342</u>	<u>22,935</u>	<u>12,578</u>	<u>51,855</u>

The share of retained profits amounting to £6,483,000 represents the group share of the post-tax profits of SavaCentre Limited based on its audited accounts for the fifty-two weeks ended 13 February 1988.

The turnover of the related company, excluding value added tax, amounted to £272,780,000 (1987 - £268,819,000) and the profit is stated after charging depreciation amounting to £4,199,000 (1987 - £4,388,000).

The assets and liabilities of SavaCentre Limited as shown in its audited accounts are set out below.

	1988 £000	1987 £000
Tangible assets - land and buildings	119,571	79,804
- other	28,747	15,780
Net current assets - bank loans and overdraft	(45,592)	-
- corporation tax	6,402	(10,156)
- other	7,062	13,187
Loan capital	-	(33,350)
Capital and reserves	<u>103,386</u>	<u>65,265</u>

NOTES TO THE ACCOUNTS

13. Other investments	Cost	Provision	Net book value
	£000	£000	£000
At 5 April 1987 and 2 April 1988	<u>400</u>	<u>400</u>	<u>—</u>

The group owns 10.4% of the share capital of DISC International Limited, an unlisted company registered in England engaged in information technology developments which are of benefit to British Home Stores PLC. The investment is stated at directors' valuation.

14. Debtors	Parent	Group
	1988 £000	1987 £000
Due within one year:		
Trade debtors	5,328	3,100
Amounts owed by subsidiary companies	637	—
Amounts owed by holding and fellow subsidiary companies	27,207	813
Amounts owed by related company	1,012	996
Other debtors	2,662	4,943
Prepayments and accrued income	<u>3,735</u>	<u>4,203</u>
	40,581	14,055
Due after more than one year:		
Amount owed by holding company	32,636	32,636
Other debtors	<u>1,555</u>	<u>1,604</u>
	<u>74,772</u>	<u>80,100</u>

Other debtors due after more than one year include loans made to Mr R McArthur, Mr R A Nethercott and Mr A G Anderson before they became directors of the company. The loans outstanding on 5 April 1987 to Mr McArthur of £9,800 and Mr Nethercott of £5,731 were repaid during the year. The amount outstanding on the loan to Mr Anderson at 2 April 1988 was £20,000.

15. Creditors: amounts falling due within one year	Parent	Group
	1988 £000	1987 £000
Mortgage debenture stock (note 17)	112	112
Bank overdraft	—	50
Trade creditors	19,780	16,957
Amounts owed to subsidiary companies	2,410	2,085
Amounts owed to holding and fellow subsidiary companies	28,147	15,154
Amounts owed to related company	11,880	11,880
Taxation and social security	26,760	32,335
Other creditors	10,043	8,280
Accruals	13,550	16,860
Proposed dividend	<u>30,000</u>	<u>30,000</u>
	<u>142,682</u>	<u>133,713</u>

16. Amount owed to holding company	<u>—</u>	<u>60,000</u>	<u>—</u>	<u>60,000</u>
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This liability was a non-interest bearing loan from the holding company repayable after more than one year.

NOTES TO THE ACCOUNTS

17. Loan capital	Outstanding at 5 April 1987 £000	Redeemed £000	Outstanding at 2 April 1988 £000
Secured			
5½% Mortgage debenture stock 1989/94	675	7	668
6½% Mortgage debenture stock 1989/94	975	13	962
7½% Mortgage debenture stock 1994/98	<u>1,541</u>	<u>17</u>	<u>1,524</u>
	3,191	37	3,154
Less amount included in creditors falling due within one year	<u>112</u> <u>3,079</u>	<u>-</u> <u>37</u>	<u>112</u> <u>3,042</u>
Unsecured - amount owed to holding company 9% Convertible unsecured loan stock 1992	23,867	-	23,867
	<u>26,246</u>	<u>37</u>	<u>26,909</u>

The amount included in creditors falling due within one year represents sums which the company is required to apply by 31 December each year in the redemption of mortgage debenture stocks - £78,750 for the 1989/94 debenture stocks and £33,000 for the 1994/98 debenture stocks. These sums have been fully applied in respect of each year cumulatively. The debenture stocks are secured by a fixed charge on certain specific properties and a floating charge on the general assets of the company.

All of the 9% Convertible unsecured loan stock 1992 is held by Storehouse PLC. This loan stock may be partially or completely converted into ordinary shares of the company in any of the years up to 1991 at the rate of 66 ordinary shares for £100 nominal of loan stock (ie. an approximate rate of 151.5p loan stock for each ordinary share). Any loan stock outstanding on 30 July 1992 will be repaid at par on that date.

18. Provision for liabilities and charges	Parent £000	Group £000
<u>Deferred taxation</u>		
Balance at 5 April 1987	4,275	4,766
Transfer from profit and loss account - timing differences	2,193	2,144
Transfer to current taxation	<u>(262)</u>	<u>(289)</u>
Balance at 2 April 1988	<u>6,206</u>	<u>6,621</u>

The deferred taxation provision comprises:

	Parent 1988 £000	Parent 1987 £000	Group 1988 £000	Group 1987 £000
Provision in respect of:				
Capital allowances	4,760	2,500	5,108	2,962
Other timing differences	<u>1,446</u>	<u>1,772</u>	<u>1,513</u>	<u>1,804</u>
	6,206	4,275	6,621	4,766
The further potential liability is:				
Capital allowances	20,091	22,563	20,091	22,563
Other timing differences	<u>-</u>	<u>730</u>	<u>-</u>	<u>730</u>
	<u>26,297</u>	<u>27,568</u>	<u>26,712</u>	<u>28,059</u>

NOTES TO THE ACCOUNTS

19. Called up share capital	Authorised	Issued and fully paid	
	£000	1988 £000	1987 £000
Ordinary shares at 25p each	60,000	53,163	53,156
7% Cumulative preference stock (4.9% plus tax credit)	400	400	400
	<u>60,400</u>	<u>53,563</u>	<u>53,556</u>

SHARE ISSUES

Shares have been issued during the year as follows:	Number	Nominal Value £	Consideration £
For cash:			
The BHS Savings-Related Share Option Scheme	<u>22,521</u>	<u>7,380</u>	<u>40,415</u>

SHARE OPTIONS

The BHS Savings-Related Share Option Scheme
This scheme enabled eligible employees to acquire options on ordinary shares of the company at approximately 90% of market price, in conjunction with a Save-As-You-Earn contract. The options are normally exercisable within a period of six months after the repayment date of the relevant SAYE contracts which are for terms of five or seven years. Options granted under this scheme since August 1986 have been for shares in Storehouse PLC and not in the company.

Outstanding options granted under this scheme for shares in the company are as follows:

	Ordinary shares		Dates normally exercisable	Option price per share
	1988	1987		
The BHS Savings-Related Share Option Scheme	269,815	298,298	October 1988/March 1989	124.00p
	26,004	30,177	October 1989/March 1990	130.00p
	33,639	38,061	October 1988/March 1989	185.18p
	48,235	54,037	October 1990/March 1991	185.18p
	65,757	75,472	October 1989/March 1990	169.00p
	74,220	83,849	October 1991/March 1992	169.00p
	54,487	59,108	October 1990/March 1991	251.00p
	42,463	46,560	October 1992/March 1993	251.00p

20. Reserves

	Parent £000	Group £000
Share premium account		
At 5 April 1987	12,775	12,775
Arising on share issues during the year	<u>33</u>	<u>33</u>
At 2 April 1988	<u>12,808</u>	<u>12,808</u>
Revaluation reserve		
At 5 April 1987	2,086	2,086
Transfer to profit and loss account	(2,086)	(2,086)
Revaluation of related company's assets	<u>—</u>	<u>12,578</u>
At 2 April 1988	<u>—</u>	<u>12,578</u>
Profit and loss account		
At 5 April 1987	102,663	129,104
Profit for the year	43,650	55,018
Dividends	(30,027)	(30,027)
Transfer from revaluation reserve	2,086	2,086
Other movements	<u>(1,596)</u>	<u>(1,596)</u>
At 2 April 1988	<u>116,776</u>	<u>154,585</u>

Total reserves of £129,584,000 (1987 £117,524,000) in the parent company include £12,808,000 which is not distributable (1987 £14,861,000).
Total reserves of £179,971,000 (1987 £143,965,000) in the group include £48,321,000 which is not currently distributable (1987 £31,313,000).

NOTES TO THE ACCOUNTS

21. Leasing commitments

Current annual rental commitments under operating leases extending for periods of up to 125 years are as follows:

	1988 £000	1987 £000
Leases which expire - within 1 year	1,201	15
- between 2 and 5 years	72	113
- over 5 years	<u>35,630</u>	<u>15,734</u>
	<u>36,903</u>	<u>15,862</u>

22. Holding company

The company is a subsidiary of Storehouse PLC, which is the company's ultimate holding company and is incorporated in England.

REPORT OF THE AUDITORS

To the members of British Home Stores PLC

We have audited the accounts on pages 3 to 15 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on an historical cost basis as modified to include the revaluation of certain properties, give a true and fair view of the state of affairs of the company and of the group at 2 April 1988 and of the profit and the source and application of funds of the group for the period to that date, and comply with the Companies Act 1985.

London, 1 June 1988

Arthur Andersen & Co.
Chartered Accountants

Arthur Andersen & Co.