BRITISH HOME STORES LIMITED

[illegible]

Report and Accounts 1975-6

Management

Board of Directors

Sir Mark Turner	*Chairman*
K. C. B. Mackenzie, C.B.E.	*Deputy Chairman*
*C. W. Paterson, M.C.	*Managing Director*
*R. W. Burgess	*Assistant Managing Director*
*N. T. Griffin	*Assistant Managing Director*
H. W. Atcherley	
*D. P. Cassidy	
Sir Jack (Eric John) Callard	
*J. C. Cummings, M.A.	
*A. R. Dearden, D.F.C., D.F.M.	
*C. S. Finnigan, D.S.C., F.C.A.	
*C. J. Kerr, F.R.I.C.S.	
*T. N. S. Lenthall, F.C.I.S.	
The Earl of Lisburne	
*A. I. Phillips	

**Executive Directors*

Secretary
J. N. Gilder, B.Com., F.C.I.S., F.C.C.A.

Management Committee

C. W. Paterson, M.C.	*Chairman*
G. A. K. Davenport	
C. N. Denton	
P. K. Holmes	
F. H. Lister	
N. McArthur, M.A.	
R. F. Millett	
A. T. Newman	
N. P. Tinnion	

Bankers
Barclays Bank Limited
Lloyds Bank Limited

Solicitors
Clifford-Turner
Field, Fisher & Martineau

Auditors
Peat, Marwick, Mitchell & Co.

Registered Office
Marylebone House, 129/137 Marylebone Road, London NW1 5QD

Registrars and Transfer Office
Kleinwort, Benson Limited
The Lawn, Speen, Newbury, Berks RG13 1QN

(for notice of meeting see page 6)

Chairman's statement

The group operating profit before tax for the fifty-three weeks ended 3rd April 1976 was £21,911,000 compared with £18,596,000 for the fifty-two weeks ended 29th March 1975, an increase of 17.8%. The post tax profit of £10,601,000 (before exceptional items) against £8,796,000 showed an increase of 20.5%.

On 15th October 1975 your directors declared an interim ordinary dividend payable on 2nd January 1976 of 4.0115p per share against 3.4286p the previous year, including in the payment what was then the full permitted increase for the whole year. In November 1975, however, the company made a one for eight rights issue of ordinary shares at 285p per share and at that time, sought Treasury approval for an increase in the dividend payable. The Treasury indicated that approval would be given for a final dividend of 6.2p per share on the increased capital and thus the directors are able to recommend that this amount be paid on 1st July to ordinary shareholders registered at the close of business on 1st June. This brings the total dividend per ordinary share up to 10.2115p, compared with 6.9551p for 1974/75.

The ordinary share dividend for the year absorbs £4,985,000 of the post tax operating profit, against £3,156,000 the previous year, and after payment of the preference dividends and adjustments for exceptional items, the retained profit is £1,495,000. This is substantially below the previous year's retention of £5,718,000, due not only to the increased distribution but also to a provision of £4,200,000 for exchange loss on the dollar loan raised in June 1974.

This unsecured loan was for $25,000,000, repayable half in 1981 and half in 1982 and was taken because it was essential for the company's liquid position to be assured for long term expansion plans to go ahead. Commitments for major stores which will soon be opening could not have been entered into except from the strongest possible financial base but it was virtually impossible to raise equity capital in the market and fixed rate sterling loans were costing far more than the interest rate negotiated on the dollar loan. In considering the possibility of exchange loss on repayment, your directors took the view that by the time the loan matured, sterling would be strengthened by an improved balance of payments situation resulting from North Sea oil revenues. They did not anticipate the dramatic fall in the value of the pound experienced recently and while oil revenues may still in due course lead to some improvement in the present serious situation, they now consider it would be imprudent to run the risk of further deterioration. It is their intention to repay the loan in the immediate future and negotiations to this end are well advanced. It seems probable that the exchange loss, together with amounts payable for early withdrawal from the loan agreement, will be in the region of the £4,200,000 provided.

As a result of the repayment, the company's cash resources will be reduced by almost the amount raised by the November 1975 rights issue of ordinary shares but further loans and borrowing facilities are being arranged to ensure there will be no slowing down of development.

In view of the strength of the reserves on the balance sheet compared with the ordinary share capital, it is proposed to capitalise part of the reserves by a one for one scrip issue to ordinary shareholders on the register at 1st June.

Sales at £210,633,000 were 30.2% up on the previous year but included a fifty-third week. For the first half of the year an increase of 34.6% was achieved, but in the economic circumstances of 1975 this rate of increase could not be expected to be maintained. There were signs that trading conditions were becoming more difficult in the weeks leading up to Christmas. There has also been a marked drop in the national volume of retail sales compared with a year ago. Our own sales, however, were well above average throughout the year and our determination to increase our share of the retail market by containing prices wherever possible has resulted in what I hope you will agree is an excellent performance.

The increase in sales was shared by all sections of the business, with perhaps the most notable progress being made by housewares, household textiles, footwear and ladies' fashions departments. They exemplify our policy of extending our ranges to include higher unit price merchandise but still provide value for money. It is value for money the shopping public seeks more than ever today and meeting that need must surely be the pre-requisite of successful trading.

In previous statements, I have referred to the difficulty of measuring the real growth in sales in times of rapid inflation but our own rate of price increase was

Chairman's statement *(continued)*

substantially below that shown by the general index of retail prices, being in the region of 18% across all departments. We benefited by about 3% from additional selling space and by about 2% from the fifty-third week. The balance of 7% came through additional sales from existing space.

There is still no agreed method of presenting annual accounts in inflationary economic conditions and while your directors do have very much in mind the need for accounts to be as meaningful as possible, they feel that at this stage it could be confusing to give additional figures based on one set of recommendations only to have to alter their basis when general agreement on method is reached and statutory requirements made known. The way in which property should be revalued is of particular concern in the retailing context.

Profit margins continue to be subject to counter inflationary legislation and it would be unrealistic to expect the abolition of price controls when on the other hand wage increases must be contained if the rate of inflation is to be cut. But in retailing at least, the controls probably serve a political rather than an economic purpose. Retailing is a highly competitive industry and this very competition is an effective curb on price increases.

We are operating within permitted gross margin levels and with ever escalating operating costs it is only by increasing the volume of sales substantially that we are able to maintain net profit levels in real terms. Our control over operating costs is limited. Some increases —for example, in local rates which show an increase of 34.5% over last year—simply have to be absorbed. Others—such as in fuel prices—can be offset fractionally by reduced usage but consumption cannot be cut time after time following the frequent price increases during the year. There are minimum levels at which a business can operate and we cannot risk going below them if efficiency is to be maintained.

Throughout the year, stock has been kept at an adequate, but not excessive, level and we have not had to cut back on any commitments with suppliers. A delicate balance in stock control between financial and sales requirements must be kept and we shall continue to monitor the position carefully.

Some months ago we introduced what is for us a different method of service into a number of stores, using some sales floor staff to operate pay points and others to provide individual customer assistance as required. We undertook the trial with some misgiving lest it should lower the standards of personal service we have always tried to maintain but have found that provided there is an adequate number of suitably located pay points and provided the staff are deployed properly, customers do in fact benefit. We therefore intend to extend this form of service into all our stores, limiting it to merchandise sales areas and keeping our highly successful presentation and counter service methods for the sale of fresh foods.

I have already expressed the view that what the shopping public looks for is value for money. I have great faith in the British shoppers' ability to protect their interests in the most effective way of all—by simply removing their custom when they are less than satisfied with goods bought or service provided. They are their own best protectors and I cannot help but doubt whether the recent flood of legislation relating to the sale of goods really does help them as much as intended.

A very considerable administrative burden is placed on retailers by the requirements of—just for example—the Trade Descriptions Act, Unsolicited Goods and Services Act, Supply of Goods (Implied Terms) Act, Fair Trading Act, Prices Act, Consumer Credit Act, Labelling of Food Regulations and Unit Pricing Order. And, of course, we have to prepare for metrication and act as government agents in the collection of value added tax.

Nor is additional legislation confined to the sale of goods. When it comes to contracts of employment, a tortuous way has to be threaded through—again, just for example—the Employment Protection Act, Trade Union and Labour Relations Act, Sex Discrimination Act, Rehabilitation of Offenders Act, Wages Council Act and Health and Safety at Work Act. All add to administrative complexity and cost.

I do not suggest that all forms of legislation are bad, nor do I suggest that any of the acts mentioned are other than well intentioned. A free enterprise society can only operate on the basis that law and order will prevail. A careful line has to be drawn however, to prevent free enterprise being so overburdened with legislation that in due course it ceases to exist.

Like other retailers, we have had to strengthen security measures to combat what is euphemistically called shrinkage but what is really plain theft. There has unfortunately been a marked increase in theft from shopkeepers throughout the country and energetic steps have to be taken to contain losses. Our experience has been that far more shoplifters—thieves —have been apprehended and our efforts have had some limited success in that losses expressed as a percentage of sales have at least been kept down to previous levels, though real cash losses are up. It is inevitable that these losses are borne ultimately by the shopping public through higher prices and we are joining with other major retailers in a campaign to reduce theft.

The contribution which our suppliers of goods and services have made to this successful trading year cannot be over emphasised. Like retailers, they still have to operate under extremely difficult conditions of rising costs and price control. To maximise all our efforts requires the closest co-operation at all levels of management and determined efforts have to be made to ensure production schedules are geared to satisfy delivery dates and that quality control is maintained.

The level of imported merchandise is comparable to that reported last year, which is an indication that our overseas suppliers are coping very well with the increasing problems of remaining competitive, which they face through the falling value of sterling.

Further import controls would not necessarily mean that orders could be diverted to domestic manufacturers. In the textile trade in particular there are many examples where because of either a lack of production capacity, skill in design, or serious price differential in favour of the overseas manufacturer, purchasing cannot be diverted to UK sources. Too often reference is made to "dumping" but it is not merchandise in this category to which I refer. Our standards for quality and value must be consistent from whichever source the merchandise originates.

I would like to thank all our suppliers, wherever they may be, for their continued support.

Throughout the year, steady progress was made on the store development programme. Our large replacement store at Nottingham opened in February and extensions were completed at Middlesbrough, Bradford, Derby and Northampton. Restaurant seating areas were enlarged at Croydon and Coventry, while at Exeter, Wembley, Tunbridge Wells and Scunthorpe, restaurants which could not be extended to meet our modern requirements were removed, the areas vacated being converted into merchandise selling space. Shopfronts were modernised and improved food preparation facilities provided at Oxford Street and Swansea.

We experienced further delay in our Hanley replacement store but it finally opened earlier this month and in the near future new stores will open at Stevenage, Wandsworth and Colchester. During the year, merchandise selling areas will be increased at Woolwich, Crewe and Sheffield (The Moor) by the removal of restaurants for the reasons previously explained.

Next year, major stores will open at Leeds and Dublin and then in the following year at Bromley, Barnsley and Dundee. Completion of the rebuilding and extension of our Manchester (Market Street) store, with the closing of our temporary premises there, is also scheduled for 1978. All of these new stores will have large restaurants.

Work is now in progress on a major extension to our Edinburgh store and extensions to Stockport, Watford and Liverpool stores will start soon. There are also advanced plans for large new store in Kensington.

Other sites in new locations are under consideration and, subject only to the negotiation of acceptable terms, commitments will be entered into to maintain the company's physical expansion despite continuing economic difficulties and uncertainty.

The building of our distribution centre at Atherstone is complete and operations there are on schedule. In Marylebone Road, we have been able to lease and are now occupying Enford House, which is adjacent to our main Marylebone House head office building. Marylebone House is now used primarily as buying offices, with service departments in Enford House. We have vacated our smaller premises in Dorset Square and expect the additional space resulting from the changes to meet our head office requirements for the foreseeable future.

Encouraging progress has been made in our joint venture with J. Sainsbury Limited in that SavaCentre Limited, the company in which we each have a half interest, now has firm plans for the opening of its first hypermarket at Washington, near Sunderland. There are good prospects for other sites but our rate of growth in this form of retailing must still depend on local and

Chairman's statement *(continued)*

central government attitude to applications for out of town developments.

The argument for out of town trading to complement town and city centre retailing and give the shopping public the opportunity to benefit from lower prices must surely be strengthened in inflationary economic conditions.

Our largest single operating cost is payroll, which for the fifty-three weeks last year went up by 40%, against an increase in numbers of 4%. Most of the increase went to our sales staff, the average weekly rate of a full-time assistant going up by nearly 30%. The £6 a week maximum permitted increase will also be paid to them from June, thus raising current rates by 23% or so. Shop workers generally have been among the lower paid for too long and it is only right that this position should be rectified—in our case, over the period from January 1974 to June 1976 their rates will have increased by over 80%. I am deeply conscious of the contribution our sales staff have made and continue to make towards the progress of the business and I thank them for their efforts.

I am increasingly concerned, however, about the effect of pay code restrictions on middle and senior managers. Accepting that sacrifices must be made by all if the rate of inflation is to be cut and the economy put back on a firm base, it is surely unfortunate that the greatest burden, the real lowering of living standards, must always be borne by those on whose initiative and expertise the country must depend for its future. Egalitarianism goes too far when it removes incentive for people to take on additional responsibilities as managers, and it is on the skill and enterprise of your company's management team that we rely heavily for its continuing success.

For the second year running we have increased by 12½% the pensions of those past servants of the company now retired. We are mindful of the serious effect inflation has and we hope that this plus the additional government pensions will cushion its effect upon them.

I would like to end on a personal note. As you know, this is the last occasion on which I will be addressing you as chairman as I shall be retiring from the board after the annual general meeting on 30th June. I have been on the board of British Home Stores for twenty years and its chairman for ten. This has been a great privilege and has given me enormous enjoyment. I have been working throughout this time with people who are professional in their outlook, imaginative in their thinking, and modest in their ways. All of these three qualities are essential to a successful business. I would particularly like to single out modesty as one of the important attributes. Nothing is more conducive to making bad judgements than conceit, and I believe that what has made my association with the company so pleasant is that it has never suffered from delusions of grandeur because it has always been concentrating on the need to service its customers with high quality goods at reasonable prices, presented and handled in an attractive manner.

My term of office ends with quite a long run of pretty spectacular annual increases in turnover and profits. I may be going at a time when there may be some turndown in demand without inflation being sufficiently under control to stabilise costs. If this does affect our profit trend—and it is far too early to say whether this is likely or not—the turndown will I am sure be only of a temporary nature.

The company is indeed fortunate to have secured as my successor Sir Jack Callard, who has only recently retired from the chairmanship of that great company, I.C.I. No one could be better endowed to give the leadership and assistance which the management rightfully regard as so important. The company has a magnificent management team under Mr. Colin Paterson, as well as access to all the old skills of its previous managing director, Mr. K. C. B. Mackenzie, who remains deputy chairman of the company. But above all, the company is strong in depth in every part of the organisation and more than capable of meeting the challenges that it will invariably face in the years ahead. What matters to the management of the company and to you as its shareholders is that it maintains and improves on its share of the market. You need have no doubt that all its skills will be devoted to this end.

Notice of meeting

Notice is hereby given that the forty-eighth annual general meeting of British Home Stores Limited will be held at 11.30 a.m. on Wednesday, 30th June 1976, at Marylebone House, 129/137 Marylebone Road, London NW1 5QD, for the following purposes:

To receive and consider the directors' report and the statement of accounts for the year to 3rd April 1976, together with the auditors' report.

Resolution No. 1
To declare a dividend on the ordinary shares.

Resolutions Nos. 2-6
To elect the following directors who retire in accordance with the company's articles of association:

Mr. H. W. Atcherley
Sir Jack Callard
Mr. J. C. Cummings
Mr. C. J. Kerr
Mr. T. N. S. Lenthall

Resolution No. 7
To resolve that the remuneration of the auditors be fixed by the directors.

By order of the board
J. N. GILDER
Secretary

LONDON
26th May 1976

Notes:

1 *Any member of the company is entitled to appoint a proxy or proxies to attend and upon a poll to vote instead of him. A proxy need not be a member of the company.*

2 *Copies of the service contracts between the company and certain directors are available for inspection at the registered office of the company during normal business hours on any weekday (excluding Saturday) from the date of this notice until the date of the annual general meeting and at the meeting.*

3 *Warrants for the final ordinary dividend will be posted on 30th June 1976 to shareholders on the company's register on 1st June 1976.*

Directors' report

The directors submit their report at 3rd May 1976, and the accounts for the fifty-three weeks to 3rd April 1976.

Profit and dividends
The operating profit for the year after providing for taxation was £10,601,000. After taking into account extraordinary items, the surplus for the year after providing for taxation was £6,501,000. An interim dividend of 4.0115p per share (1974/75—3.4286p) on the ordinary shares, and dividends on the preference stocks for one year, have been paid, at a net cost of £1,841,000, leaving a balance of £4,660,000.

The directors recommend payment on 1st July 1976 of a final dividend of 6.2p per share (1974/75—3.5265p) on the ordinary shares as increased by the 1 for 8 rights issue of shares referred to below. This dividend requires £3,165,000 leaving £1,495,000 to be added to reserves.

Rights Issue
In November 1975, the company made an issue of 5,672,423 ordinary shares of 25p each at a price of 285p per share by way of rights, on the basis of one share for every eight ordinary shares held. The net proceeds of the issue amounted to approximately £15,500,000, and are being applied progressively as opportunities arise for controlled expansion and development.

Principal activities
The group carries on business as a variety chain store at branches throughout the United Kingdom and has one store in Jersey. There was no change in the nature of its activities during the year. The group operated through ninety-eight stores.

Directors
The following persons served as directors throughout the year:

Sir Mark Turner	J. C. Cummings
K. C. B. Mackenzie	A. R. Dearden
C. W. Paterson	C. S. Finnigan
R. W. Burgess	C. J. Kerr
N. T. Griffin	T. N. S. Lenthall
H. W. Atcherley	The Earl of Lisburne
D. P. Cassidy	A. L. Phillips

Sir Jack Callard was appointed a director as from 10th September 1975. In accordance with the provisions of the company's articles of association he retires from the board and, being eligible, offers himself for re-election.

In accordance with the provisions of the company's articles of association, Mr. H. W. Atcherley, Mr. J. C. Cummings, Mr. C. J. Kerr and Mr. T. N. S. Lenthall retire as directors and, being eligible, offer themselves for re-election.

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Directors' report *(continued)*

Directors' interests

The directors' interests in the company's shares and stock were as follows:

	Ordinary Shares of 25p each 3rd April 1976 Shares	30th March 1975 Shares	7% Cumulative Preference Stock 3rd April 1976 £	30th March 1975 £
Sir Mark Turner	34,571 (*a*)	32,717	100	100
K. C. B. Mackenzie	15,744	18,821	100	100
C. W. Paterson	11,606	11,017		
R. W. Burgess	5,119	8,525	100	100
N. T. Griffin	4,575	4,575	100	100
H. W. Atcherley	180	160		
Sir Jack Callard	450	400 (*b*)		
D. P. Cassidy	1,589	1,811		
J. C. Cummings	1,686	3,864		
A. R. Dearden	1,703	4,087		
C. S. Finnigan	2,150	3,717		
C. J. Kerr	4,680	4,680		
T. N. S. Lenthall	3,937	3,937	100	100
The Earl of Lisburne	74,120 (*c*)	82,758		
A. I. Phillips	1,759	1,594		

a This figure includes a non-beneficial interest in 6,753 shares (1975—5,603).
b September 1975, on appointment.
c This figure includes a non-beneficial interest in 65,200 shares (1975—74,773).

No director held any 4% redeemable cumulative preference stock or mortgage debenture stock in the company during the year. There have been no changes in the directors' interests since 3rd April 1976.

There have been no contracts of the company or any of its subsidiaries during the year, in which any of the directors had a beneficial interest within the terms of the Companies Act 1967 or the requirements of The Stock Exchange.

Shareholdings

There is no substantial interest reported by any member in the ordinary share capital of the company. The following substantial interests have been reported by members in the 4% redeemable cumulative preference capital of the company:

Legal and General Assurance Society Limited	10,000 stock units
Sun Life Assurance Society Limited	30,000 stock units

Employees

	1975/76	1974/75
The average weekly number of employees of the group, including 13,865 part time workers (1974/75—13,749), was	22,951	22,160
and their aggregate remuneration, including employers' national insurance contributions, was	£25,407,155	£18,163,145

(both as defined by section 18 of the Companies Act, 1967).

Directors' report *(continued)*

Donations
The total amount donated for charitable purposes was £46,000. A contribution of £1,000 was also made to British United Industrialists.

Exports
There were no material exports by the company during the year.

Fixed Assets
The directors have given consideration to the excess of market value over book value of the company's freehold and leasehold properties and continue to hold to the view that it is not significant when considering the market value of the company's share capital on the basis of the group as a continuing and growing business.

Auditors
Peat, Marwick, Mitchell & Co., the auditors of the company, have indicated their willingness to continue in office under the provisions of section 159 of the Companies Act, 1948.

By order of the board
J. N. GILDER
Secretary

LONDON
3rd May 1976

Certified to be a true copy of the report of the directors accompanying the Balance Sheet dated 3rd April 1976.

Director

Secretary

The market values of the company's shares and stocks at 6th April 1965 for the purposes of capital gains tax were as follows:

Ordinary shares	112p per 25p share
7% (now 4.9% plus tax credit) cumulative preference stock	100p per £1 unit
4% (now 2.8% plus tax credit) redeemable cumulative preference stock	70p per £1 unit
5½% mortgage debenture stock 1989/94	£85.50 per £100 st
6½% mortgage debenture stock 1989/94	£97.50 per £100 st

Consolidated profit and loss account

For the 53 weeks to 3rd April 1976	Notes	53 weeks to 3rd April 1976 £000	52 weeks to 29th March 1975 £000
Sales	1b	210,633	161,798
Trading profit after providing for all charges of operation and administration other than those shown below		25,404	21,049
Add: Interest received		2,454	2,166
		27,858	23,215
Deduct:			
Depreciation and amortization	1d & 9	3,502	2,885
Interest payable on loans	8	1,652	1,241
Contribution to employees' pension funds		793	493
		5,947	4,619
Operating profit before taxation		21,911	18,596
Deduct:			
Provision for taxation on current profits at 52% (1974/75—52%):			
Corporation tax		8,882	5,433
Transfer to deferred taxation account		2,428	4,367
		11,310	9,800
Operating profit after taxation		10,601	8,796
Extraordinary items:			
Provision for exchange loss	8	4,200	—
Deficit on disposal of properties		24	22
Discount on redemption of debenture and preference stocks		(124)	(122)
		4,100	(100)
Surplus after taxation and extraordinary items		6,501	8,896
Appropriated as follows:			
Dividends paid or recommended:			
On preference stocks, year to 31st March 1976	5	21	22
On ordinary shares:			
Interim of 4.0115p per share (1974/75—3.4286p)		1,820	1,556
Final of 6.2p per share (1974/75—3.5265p)		3,165	1,600
		5,006	3,178
Retained profit	3	1,495	5,718
Earnings per ordinary share:			
Based on operating profit after taxation	4	21.99p	18.86p

The notes on pages 15 to 19 form part of these accounts

Consolidated balance sheet

At 3rd April 1976	Notes	3rd April 1976 £000	£000	29th March 1975 £000	£000
Capital employed					
Shareholders' interests					
Ordinary capital—parent company	5	12,763		11,345	
Reserves	6	46,185		30,482	
		58,948		41,827	
Preference capital—parent company	5	461	59,409	471	42,298
Deferred taxation account	1c & 7		13,516		9,630
Loans	8		19,932		15,984
			92,857		67,912
Use of capital					
Fixed assets	9				
Freehold properties		11,182		10,390	
Leasehold properties		32,239		26,754	
Fixtures, furnishings and equipment		12,498	55,919	10,367	47,511
Current assets					
Stocks	1e	25,566		20,195	
Debtors and payments in advance		2,517		2,108	
Loans to trustees of executives share scheme		234		386	
Short term loans	10	32,600		19,105	
Cash at bank and in hand		2,203		1,174	
		63,120		42,968	
Current liabilities					
Creditors and accrued expenses		13,902		10,426	
Bank overdraft		—		285	
Taxation	12	9,115		10,256	
Recommended final ordinary dividend		3,165		1,600	
		26,182		22,567	
Net current assets			36,938		20,401
			92,857		67,912

Certified to be a true copy of every balance sheet laid before the Company in General Meeting during the period to which this return relates (including every document required by law to be annexed to the balance sheet) and the report of the auditors thereon.

Mark Turner
C. W. Paterson
Directors

Director

Secretary

The notes on pages 15 to 19 form part of these accounts

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Parent company balance sheet

At 3rd April 1976

	Notes	3rd April 1976 £000	3rd April 1976 £000	29th March 1975 £000	29th March 1975 £000
Capital employed					
Shareholders' interests					
Ordinary capital	5	12,763		11,345	
Reserves	6	45,529		30,029	
		58,292		41,374	
Preference capital	5	441	58,753	471	41,845
Deferred taxation account	1c & 7		13,462		9,587
Loans	8		19,932		15,984
			92,147		67,416
Use of capital					
Fixed assets	9				
Freehold properties		9,017		8,643	
Leasehold properties		32,194		26,706	
Fixtures, furnishings and equipment		12,396	53,607	10,319	45,668
Subsidiary companies	1a & 11				
Shares at cost		421		421	
Add: Amounts due by subsidiary companies		2,149		1,731	
		2,570		2,152	
Deduct: Amounts due to subsidiary companies		892	1,678	616	1,536
Current assets					
Stocks	1e	25,373		19,987	
Debtors and payments in advance		2,488		2,093	
Loans to trustees of executives share scheme		234		386	
Short term loans	10	32,600		19,105	
Cash at bank and in hand		2,202		1,173	
		62,897		42,744	
Current liabilities					
Creditors and accrued expenses		13,828		10,421	
Bank overdraft		—		285	
Taxation	12	9,042		10,226	
Recommended final ordinary dividend		3,165		1,600	
		26,035		22,532	
Net current assets			36,862		20,212
			92,147		67,416

Mark Turner
C. W. Paterson
Directors

The notes on pages 15 to 19 form part of these accounts

Notes on accounts

1 ACCOUNTING POLICIES

a Consolidation

The consolidated profit and loss account includes the trading results of British Home Stores (Jersey) Limited for the 53 weeks to 3rd April 1976, and the consolidated balance sheet includes the net tangible assets of the subsidiary companies at that date, as listed in note 11.

b Sales

The amount shown represents cash takings at the group's stores, including value added tax of £10,429,000 (1974/75—£8,343,000).

c Deferred taxation

Provision is made for taxation (at the rate of 52%) which is deferred because of timing differences between cumulative profits as computed for taxation purposes and cumulative profits as stated in the accounts, less relief for advance corporation tax relating to the interim and recommended final ordinary dividends; plus the contingent liability (at the rate of 30%) arising on the revaluation of certain properties in 1963.

d Depreciation

i Freehold properties

Depreciation is provided in respect of freehold buildings and fixed equipment included therein on a straight line basis over the estimated working lives of the items involved.

ii Leasehold properties

Other than non-operational properties, leasehold properties are amortized over the unexpired portion of the respective leases or over a shorter period in the case of equipment included therein, both on a straight line basis.

iii Fixtures, furnishings and equipment

Depreciation of fixtures, furnishings and equipment is provided on a straight line basis in order to write off the assets over the estimated working lives of the various categories of items involved.

e Stocks

Stocks have been consistently valued at the beginning and end of the year at the lower of cost and estimated net realisable value.

f Foreign currency

Liabilities at the year end in foreign currencies are converted to sterling at the rates of exchange ruling at the year end, with the exception of the unsecured bank loan referred to in note 8.

2 OPERATING PROFIT BEFORE TAXATION

Operating profit for the year before taxation has been arrived at after charging the following:

	1975/76 £	1974/75 £
Directors' emoluments (note 13)	177,391	182,995
Remuneration of auditors	14,500	12,500
Hire of equipment	128,000	67,000

£21,654,000 of the operating profit for the year before taxation has been dealt with in the accounts of the parent company (1974/75—£18,391,000).

3 RETAINED PROFIT

	3rd April 1976 £000	29th March 1975 £000
Parent company	1,292	5,556
Subsidiary companies	203	162
	1,495	5,718

Notes on accounts *(continued)*

4 EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share are based on the adjusted weighted average of the number of shares in issue during the year ended 3rd April, 1976, being 48,120,309 (1975, based on actual number of shares in issue at 29th March 1975—45,379,384 and after making retrospective adjustment for the effect of the rights issue) and on the adjusted operating profit after taxation—£10,580,000 (1975—£8,774,000).

5 SHARE CAPITAL (Parent Company)

	Authorised	Issued and fully paid			
		At 30th March 1975	Rights Issue	Redeemed	At 3rd April 1976
	£000	£000	£000	£000	£000
Ordinary shares of 25p each	15,000	11,345	1,418	—	12,763
7% (now 4.9% plus tax credit) cumulative preference stock	400	400	—	—	400
4% (now 2.8% plus tax credit) redeemable cumulative preference stock	250	71	—	10	61
Total share capital	15,650	11,816	1,418	10	3,224

The redeemable cumulative preference stock may be redeemed in full at any time on the payment of a premium of 5p per £1 of stock. The company is required to set aside by 31st March in each year for the redemption of this stock the sum of £2,500 plus an amount equal to the dividend on stock previously redeemed. Any such stock not previously redeemed must be redeemed on 30th September 1995 on the payment of a premium of 5p per £1 of stock.

6 RESERVES

	Group					Parent Company
	Distributable	Non-Distributable			Total	
		Share Premium	Capital Redemption Reserve Fund	Other		
	£000	£000	£000	£000	£000	£000
Balances at 30th March 1975	19,482	5,018	185	5,797	30,482	30,029
Rights issue premium less expenses	—	14,208	—	—	14,208	14,208
Transfers	187	(197)	10	—	—	—
Retained profit	1,495				1,495	1,392
Balances at 3rd April 1976	21,164	19,029	195	5,797	46,185	45,629

7 DEFERRED TAXATION

	Group	Parent Company
	£000	£000
The balance at 3rd April 1976 comprises:		
Corporation tax deferred because of timing differences	11,044	10,99[illegible]
Stock appreciation relief	4,176	4,176
	15,220	15,166
Deduct: Advance corporation tax	1,704	1,704
	13,516	13,462

Notes on accounts *(continued)*

8 LOANS

	Outstanding at 30th March 1975	Purchased for redemption	Provision for exchange fluctuation	Outstanding at 3rd April 1976
	£000	£000	£000	£000
Secured				
5½% mortgage debenture stock 1989/94	1,425	81		1,344
6½% mortgage debenture stock 1989/94	1,899	82		1,817
7¼% mortgage debenture stock 1994/98	2,208	89		2,119
	5,532	252		5,280
Unsecured				
Bank loan	10,452		4,200	14,652
Total	15,984		4,200	19,932

The company is required to apply by 31st December each year the sum of £78,750 in the redemption of mortgage debenture stocks 1989/94 and the sum of £33,000 in the redemption of mortgage debenture stock 1994/98. These sums have been fully applied in respect of each year.

The bank loan of U.S. $25,000,000 is repayable as to half on 20th June 1981 and half on 20th June 1982, and bears interest at an effective rate of 10.646% for the first year to 20th June 1975 and 10.139% thereafter. In view of the deterioration in the exchange rate of sterling to the U.S. dollar, provision has been made for the exchange loss on this loan calculated at the rate of exchange at 27th April 1976 and including the estimated costs of liquidating the liability. The loss is shown as an extraordinary item in the consolidated profit and loss account.

9 FIXED ASSETS

	Group				Parent Company			
	Properties including Fixed Equipment Freehold	Properties including Fixed Equipment Leasehold	Fixtures Furnishings and Equipment	Total	Properties including Fixed Equipment Freehold	Properties including Fixed Equipment Leasehold	Fixtures Furnishings and Equipment	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost:								
At 30th March 1975	10,568	31,183	18,806	60,557	8,821	31,117	18,696	58,634
Additions during year	915	6,424	4,656	11,995	497	6,424	4,580	11,501
	11,483	37,607	23,462	72,552	9,318	37,541	23,276	70,135
Deduct: Disposals during year	15	75	1,104	1,194	15	75	1,099	1,189
At 3rd April 1976	11,468	37,532	22,358	71,358	9,303	37,466	22,177	68,946
Depreciation and amortization:								
At 30th March 1975	178	4,429	8,439	13,046	178	4,411	8,377	12,966
Charge for year	108	899	2,495	3,502	108	896	2,474	3,478
	286	5,328	10,934	16,548	286	5,307	10,851	16,444
Deduct: Amounts relating to disposals	—	35	1,074	1,109	—	35	1,070	1,105
At 3rd April 1976	286	5,293	9,860	15,439	286	5,272	9,781	15,339
Net book values:								
At 30th March 1975	10,390	26,754	10,367	47,511	8,643	26,706	10,319	45,668
At 3rd April 1976	11,182	32,239	12,498	55,919	9,017	32,194	12,396	53,607

The net book values of leaseholds at 3rd April 1976 include £498,000 (1975—£507,000) in respect of leases with less than fifty years to run. Of the cost at 3rd April 1976 £244,000 (1975—£244,000) and £3,486,000 (1975—£3,486,000) relating to freehold properties and leasehold properties respectively represent a professional valuation at 2nd January 1960.

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Notes on accounts *(continued)*

10 SHORT TERM LOANS

Short term loans at 3rd April 1976 include £5,000,000 not repayable before 16th January 1978.

11 SUBSIDIARY AND ASSOCIATED COMPANIES

Subsidiary companies (all wholly owned)

British Home Stores (Jersey) Limited (incorporated in Jersey)
British Home Stores Employees Trust Limited
British Home Stores (Wholesale) Limited
B. H. S. Retail Limited
Hall Crown Limited
Henry's Stores Limited
Irish Home Stores Limited (incorporated in Eire)
Prova Holdings (Ireland) Limited (incorporated in Eire)
Prova Investments (Ireland) Limited (incorporated in Eire)
Scottish Home Stores Limited

The only trading subsidiary is British Home Stores (Jersey) Limited.

Associated company (50% owned)

SavaCentre Limited

12 TAXATION

	Group		Parent Company	
	3rd April 1976	29th March 1975	3rd April 1976	29th March 1975
	£000	£000	£000	£000
Advance corporation tax payable on or before 14th October 1976	2,690	1,633	2,690	1,633
Corporation tax payable on 1st April 1975	—	4,528	—	4,523
Corporation tax payable on 1st April 1976	—	3,959	—	3,959
Corporation tax payable on 1st April 1977	5,793	—	5,793	—
Other taxation	632	136	559	106
	9,115	10,256	9,042	10,22[illegible]

The Inland Revenue has accepted that the close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

The company is entitled to relief from corporation tax in respect of increases in stock values. The total corporation tax deferred as a result of this relief at 3rd April 1976 amounted to £4,176,000 (£1,486,000 relating to the period to 3rd April 1976). All of this relief has been taken direct to deferred taxation account.

13 DIRECTORS' EMOLUMENTS

The emoluments of the directors of the company (as defined by section 196(2) of the Companies Act, 1948) included as a charge in the accounts for the year are as follows:

	1975/76	1974/75
	£	£
As directors	10,336	9,500
Other remuneration, including benefits	167,055	173,495
	177,391	182,995

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Notes on accounts *(continued)*

The emoluments of the directors of the company (as defined by section 6(3) of the Companies Act, 1967) are as follows:

	1975/76	1974/75
	£	£
Chairman	5,000	5,000
Highest paid director	25,300	24,530
Other directors in emolument scales:	Number	Number
Up to £2,500	3	4
£5,001 to £7,500	1	2
£10,001 to £12,500	2	2
£12,501 to £15,000	5	5
£15,001 to £17,500	2	1

14 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure at 3rd April 1976 for which no provision has been made in the accounts amounted to approximately £19,929,000 (1975—£21,000,000) in the case of the group and £17,917,000 (1975—£18,858,000) in the case of the company. Under existing contracts the sum of £480,000 (1975—£510,000) in each case will be recovered in respect of expenditure incurred or to be incurred on properties.

In addition, capital expenditure authorised by the directors but not contracted for amounted to approximately £5,825,000 (1975—£926,000) in the case of the group and £5,825,000 (1975—£926,000) in the case of the company.

Auditors' report

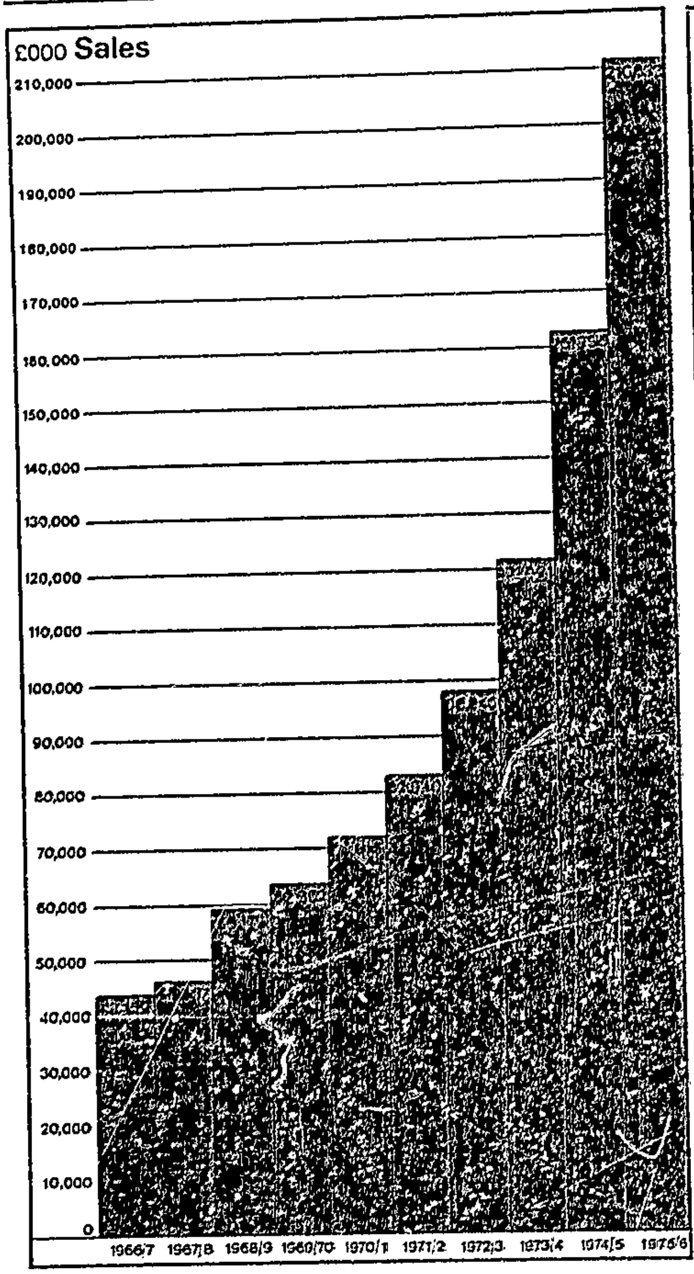
To the Members of British Home Stores Limited

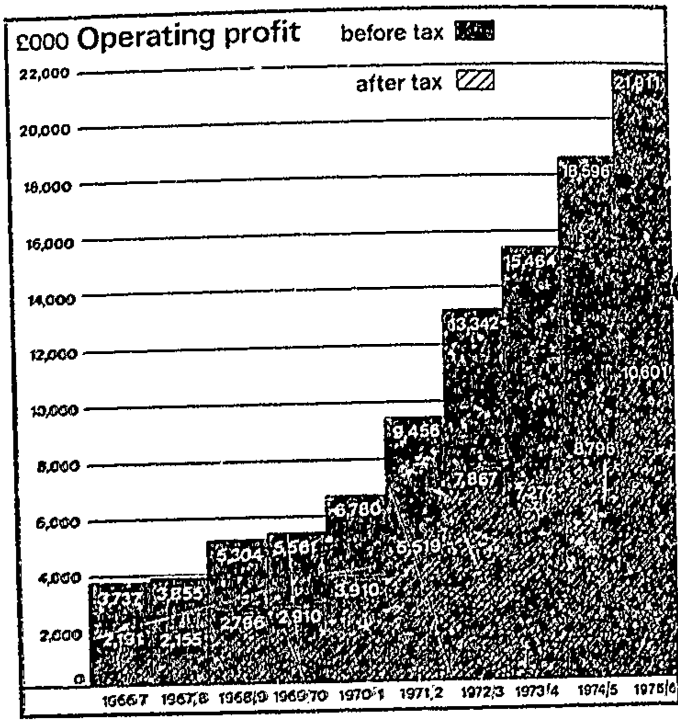
We have examined the accounts set out on pages 12 to 19. In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 3rd April 1976 and of the profit of the group for the period to that date and comply with the Companies Acts, 1948 and 1967.

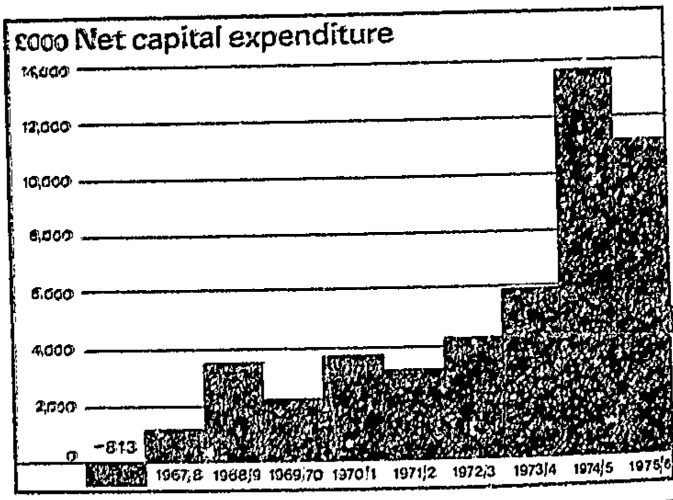
Peat, Marwick, Mitchell & Co.
Chartered Accountants

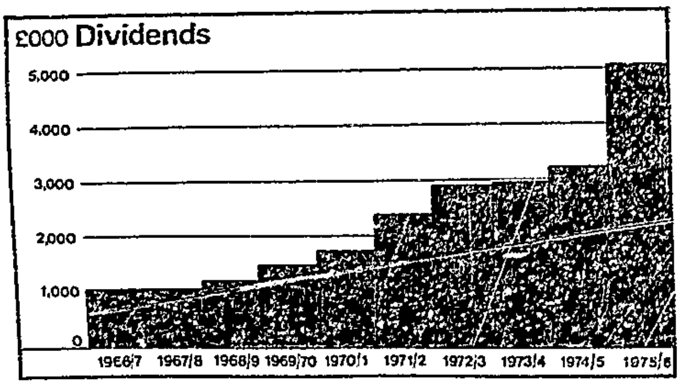
LONDON
3rd May 1976

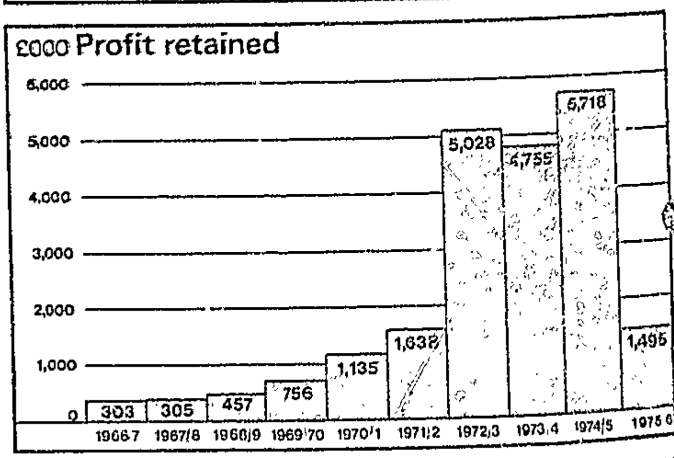
Ten-year statement











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Stores in Operation

The group had ninety-eight stores in operation at 3rd April 1976.

Aberdeen
Bedford
Belfast
Birkenhead
Birmingham
Blackburn
Blackpool
Bolton
Bournemouth
Bradford
Brighton
Bristol
Brixton
Cardiff
Chatham
Chester
Coventry
Crewe
Croydon
Darlington
Derby
Doncaster
Dudley
East Ham
East Kilbride
Edinburgh
Exeter
Glasgow
Gloucester
Gravesend
Great Yarmouth
Grimsby
Hackney
Hamilton
Hanley, Stoke-on-Trent
Hounslow
Huddersfield
Hull
Ilford
Ipswich
Kilburn
Kingston
Kirkcaldy
Lancaster
Leicester
Lewisham
Leytonstone
Lincoln
Liverpool
Lowestoft
Luton
Maidstone
Manchester
Mansfield
Margate
Middlesbrough
Newcastle
Newport
Northampton
Norwich
Nottingham
Oxford Street, London
Peckham
Plymouth
Portsmouth
Preston
Putney
Reading
Romford
Rotherham
St. Albans
St. Helier, Jersey
Scunthorpe
Sheffield (Haymarket)
Sheffield (Moor)
Slough
Southampton
Southend
Stockport
Sunderland
Sutton
Sutton Coldfield
Swansea
Swindon
Taunton
Tooting
Tunbridge Wells
Wakefield
Walsall
Watford
Wembley
West Ealing
Wigan
Wolverhampton
Wood Green
Woolwich
Worthing
York

Analysis of Ordinary Shareholdings

Size of Holdings	Ordinary shares Number	Ordinary shares %	Holders Number	Holders %
Over 100,000 shares	19,240,719	37.69	76	0.2
50,001—100,000	4,409,076	8.64	61	0.2
10,001—50,000	6,924,169	13.56	325	0.9
5,001—10,000	2,233,519	4.38	326	0.9
2,001—5,000	4,104,722	8.04	1,391	4.0
1,001—2,000	4,577,522	8.97	3,332	9.5
501—1,000	4,688,345	9.18	6,707	19.2
101—500	4,621,861	9.05	18,064	51.7
1—100	251,874	0.49	4,669	13.4
Totals	51,051,807	100.00	34,951	100.0

Notes to Ten-year statement

(*a*) The company's accounting date was changed in 1966. Figures for the 13 weeks to 2nd April 1966 are omitted.

(*b*) For comparative purposes the dividends for the years 1966/67 to 1971/72 are stated net although the cost to the company was the gross dividends. For the other years the net cost to the company is shown.

(*c*) The figure of profit retained in 1972/73 is not comparable with other years as there was a transitional element of tax relief in that year.

(*d*) Sales of freehold properties leased back exceeded capital expenditure on all fixed assets in 1966/67.

(*e*) Previous years' figures have been adjusted where appropriate to present them on current bases.