BHS

BRITISH HOME STORES PLC

Report and Accounts 1981-1982

BRITISH HOME STORES PLC

Contents

Summary of group results

52 weeks to 3rd April 1982

229606

	1982 (52 weeks)	1981 (53 weeks)	Change
	£000	£000	%
Sales (including value added tax)	471,640	452,225	+4.3
Sales (excluding value added tax)	427,563	410,099	+4.3
Profit before taxation	42,562	39,658	+7.3
Taxation	15,765	12,052	
Profit after taxation	26,797	27,606	
Earnings per ordinary share	13·0p	13·5p	
Dividend per ordinary share	4·75p	4·5p	

Financial calendar

	1982
4th January	Interim ordinary dividend payment
May	Preliminary announcement of results for year
June	Publication of report and accounts
30th June	Annual general meeting
5th July	Final ordinary dividend payment
October	Publication of half-year interim results

Management

Directors

†Sir Jack (Eric John) Callard	*Chairman*
†C. W. Paterson, M.C.	*Deputy chairman*
R. W. Burgess	*Managing director*
N. T. Griffin	*Assistant managing director*
†Sir Harold Atcherley	
D. P. Cassidy	
A. R. Dearden, D.F.C., D.F.M.	
†Sir Maurice Hodgson	
C. J. Kerr	
T. N. S. Lenthall	
†The Rt. Hon. The Earl of Lisburne	
A. I. Phillips	
J. F. Power	

†*Non-executive*

Secretary

J. N. Gilder

Divisional directors

C. N. Denton
F. H. Lister
N. McArthur
A. T. Newman
N. P. Tinnion
C. B. Williams

Bankers: Barclays Bank PLC

Solicitors: Clifford-Turner
Field Fisher & Martineau

Auditors: Peat, Marwick, Mitchell & Co.

Registrars and transfer office

Kleinwort, Benson Limited
The Lawn, Speen, Newbury, Berks, RG13 1QN.

Registered office

Marylebone House, 129-137 Marylebone Road,
London NW1 5QD.

Chairman's statement

The group pre-tax profit for the fifty two weeks ended 3rd April 1982 was £42,562,000 compared with £39,658,000 for the fifty three weeks ended 4th April 1981. Following a decline from £10,647,000 to £7,633,000 for the twenty four weeks to 19th September 1981, there was a marked improvement in the second half of the year, the profit of £34,929,000 for the twenty eight weeks comparing with £29,011,000 earned in twenty nine weeks of the previous year.

On a comparable twenty eight week basis, the pre-tax profit in the second half year increased by 23·9% on sales 7·4% better.

On 21st October 1981 an interim ordinary dividend of 1·75p per share was declared, payable on 4th January 1982. A final ordinary dividend of 3p per share, payable on 5th July 1982, is now recommended, making the total 4·75p against 4·5p last year and absorbing £9,766,000 of post tax profit, compared with £9,228,000 last year.

The tax charge was approximately 37% of net profit, the increase from 30% being primarily due to lower levels of tax allowances for stock relief than in previous years. After providing for this charge of £15,765,000 and adding an extraordinary item of £311,000 the retained profit is £17,322,000, as against £18,358,000 for 1980/81.

The pre-tax profit included two items not directly part of our own trading, both of which showed improvement over the previous year. The first was the contribution from our associated company, SavaCentre, which increased from £229,000 to £1,506,000. The second was the conversion of last year's net payment of interest amounting to £1,120,000 into net income of £1,387,000 due to strong liquidity, high rates of interest, later than planned capital expenditure and stringent control of stocks.

At the end of the year there was a cash balance of £39,744,000, against £24,375,000 the year before, but since then there have been payments of some £9,000,000 for tax and property purchases.

In December 1981 we disposed of our leasing subsidiary because the financial benefit derived from it in an increasingly competitive environment did not adequately compensate for the management effort involved. The sale yielded a post tax capital profit of £311,000 and is the extraordinary credit shown in the profit and loss account.

Trading

The difficult trading conditions that emerged in 1980/81 continued throughout the year under review. However, a sales increase of 4·6% in the first half of the year was exceeded in the second half, when we achieved an increase of 7·4%, again on a comparable basis.

Merchandise sales, which account for over three quarters of our total sales, increased by 6·3% compared with fifty two weeks the previous year, achieving a small but positive advance in volume overall. Increases in the price of the goods we sell were contained to below 3% against the national inflation rate of over 10%. The benefit derived from additional selling space for the year as a whole was in the region of 2%. According to the timing of new store openings, this percentage varies significantly and in the peak six weeks of Christmas trading, during which time sales are approximately 20% of the annual total, it was under 1%.

The continuation of the economic recession led to even keener competition, with severe cutting of margins and prolonged stock clearance sales being commonplace. Such tactics, if indulged in too widely, can be self-defeating and while we continued our vigorous programme of merchandise promotion and normal stock clearance, this was not excessive.

Gross margins fell slightly in the early part of the year but they recovered to previous levels in the second half and overall were as planned.

Stocks were reasonably well controlled throughout the year, showing a decrease of 4·6% at the year end, despite the inclusion of additional stores. This is a matter to which we give increasing attention, as very large sums of money are involved and improvements show positive benefits to the company.

There was a marked difference in the way in which merchandise sections performed during the year under review. This suggests changes in the pattern of consumer spending when pressure on real disposable income is sustained over a long period. Traditionally strong textile departments such as children's wear, ladies' clothing and men's wear survived very difficult trading conditions and we are pleased to record reasonable increases in turnover. It was in the household and accessory departments, where significant improvement has been made over the past several years, that progress was more difficult to achieve. We are confident, however, that our constant search for innovation, consistency of quality and value for money will, as the shadow of recession becomes less, see a notable improvement in such areas as lighting, household textiles and the attendant houseware areas, in which we have a significant market share.

Chairman's statement *continued*

Sales in London and the south east failed to make good the ground lost last year when compared with other regions. Within Greater London, some of the older traditional shopping areas are declining rapidly, yet retailers still carry a heavy and increasing local authority rate burden. If the decline is to be reversed, with attendant social benefits to the community, it is essential that local authority expenses are contained and that both local and central authorities recognise the damaging effect that escalating rates and utility charges are having upon existing retail outlets and upon the viability of new investment.

The food departments we operate in fifty five stores form an important part of our business and it is our firm intention to develop their potential to the full. Because of space limitations we cannot, and do not seek to, offer the one-stop shopping facilities of the supermarkets. But we do have a high reputation for cheese, bacon and meat products and it is around these basic commodities that we are building ranges of quality products in convenience and value added foods to meet changing customer demand, at the same time making the necessary investment to improve displays and space utilisation.

Our restaurants found progress difficult, eating out being an expensive item in restricted family budgets. As in food, there was a change in customer demand, to which we responded with improved menu choice. We did not sacrifice our quality or standards and continued to offer meals which we consider to be of outstanding value. After a decline in the early months, sales improved and by the end of the year were showing an encouraging trend.

Operating costs

The improvement in profit was achieved partly by the continuation of tight cost control wherever possible although, as I said in my statement last year, there is an increasing proportion of operating expenses on which little or no impact can be made and which are incurred regardless of the level of sales.

The charges levied by local authorities for rates and the cost of services provided by public utilities fall into this category and they continued to escalate. General rates alone accounted for over 2% of sales as a first charge against profits.

The major costs incurred in running the business, however, are those of wages, salaries and associated items, and these are influenced by pay rates decided by the Non-Food Retail Wages Council, whose awards in recent years have been substantial. The average increase for a sales assistant last year was approximately 10% and a similar increase is payable this year.

The structure of the council is the subject of criticism by retailers and its functioning would be improved if the three independent government appointees serving on it had a closer understanding of the industry and its problems.

An effect of higher fixed charges and payroll costs is that the proportion of trading profit earned in the first half of the financial year, when sales volumes are lower, has declined in recent years. Thus the shortfall in trading profit at the interim stage in 1981/82 was made good on a comparable twenty eight week basis by an improvement in the second half.

Suppliers

The pressures affecting retailers have had no less an impact on our suppliers of goods and services and I would thank them for their continued co-operation throughout the year.

Our buying policy is to support U.K. industry wherever possible and to import only when volume production and quality of merchandise is not otherwise available, so that by far the larger proportion of the goods we offer for sale are home produced. The recession has inevitably caused the closure of some factories in the textile and footwear industries but the more competitive marketing approach now being adopted by U.K. manufacturers and their increased capital investment to improve production techniques are most encouraging for the future.

Credit

For some years now, we have been considering the introduction of a house credit scheme but have decided against doing so. We consider the credit facilities available to our customers to be adequate, since we accept Access and Barclaycard as well as Provident checks. During the year, sales where these facilities were used accounted for an increased proportion of the total, even though the majority of our customers do not operate bank accounts.

Store development

During 1982, five new stores will be added to the chain, of which three are already open. Owing to earlier completion of building programmes than expected, stores at both Redditch and Peterborough came into operation in March and a store at Woking opens in May. The remaining two, at Fareham and Harlow, will both be trading in time for Christmas.

The Harlow store was not named last year as being in our development programme, but an opportunity arose recently for us to acquire the long leasehold interest in suitable premises in the Harvey Centre and we were

Chairman's statement *continued*

able to obtain representation in a town which featured in our longer term development plans. Work is in progress to fit out the store, which will incorporate a restaurant.

An extension at Sutton, Surrey, comes into operation in two phases with additional selling space opening in May and the restaurant in October, so that we will then have a major unit where we have been reduced to a token presence during the rebuilding operation. An extension of our Gravesend store will be completed in November and during the year work will start on the extension of the Wakefield store into the Riding Shopping Centre. This is planned to come into operation in 1984.

Negotiations are in progress for new stores in Ayr, Carlisle, Cheltenham and Harrow and extensions are planned for Southend and Coventry.

It is our intention to continue new store openings where there are viable investment opportunities but the ever increasing costs of occupancy and services, together with frequent rent reviews, tend to limit those opportunities. By the end of the year, we will be operating one hundred and twenty three units, including three lighting shops. In many of our older stores we need to improve both space usage and the shopping environment for our customers. With these objectives in mind, we are embarked on an extended modernisation programme requiring substantial investment.

Systems development
Further capital expenditure has been incurred on two other major projects, both of which are scheduled for completion within a year.

At our Atherstone distribution centre, the project is being undertaken in two phases. A new carton sortation system is due to come into operation in September and a hanging garment installation will follow in April 1983. Both are designed to speed up the delivery of merchandise to stores and give improved stock control. With the inclusion of hanging garments, all major product categories will then be distributed by our own resources.

Our electronic point of sale project will be completed in October. It will then give a comprehensive communication link between stores, head office and Atherstone and will be the basis for improved systems development over the coming years, keeping us in the vanguard of improved and updated technology which will be so vital to retailing in the 1980s.

Staff
The advance in profit in a year when the sales increase was modest was due to the hard work of management and staff and I would thank them for their sustained efforts in the difficult circumstances created by the prolonged recession. They accepted the need to achieve operating economies and responded by improving their productivity. As a result, we were able to limit the increase in payroll costs to 5.6% on a comparable fifty two week basis by reducing numbers through natural wastage and by deploying our workforce more effectively.

Training
The need for staff training to maintain customer service and improve productivity needs no emphasis. We continue to develop effective training methods, using audio-visual techniques which standardise activities from store to store and make possible small group training with limited management supervision. All stores now have video play-back equipment for use with a variety of in-house produced training films.

Management training activities continued at our centre in south London, with new facilities being developed at Preston and Edinburgh. In all of them, executives temporarily seconded from line management act as trainers to ensure the practicality of the programme.

With regard to government sponsored training, we share the general view of retailers that the bureaucratic Distributive Industry Training Board has outlived its usefulness and should be abolished.

Employee share ownership
At last year's annual general meeting, shareholders approved changes in our employee share scheme arrangements to enable U.K. participants to benefit from the Finance Act 1978 income tax concessions relating to profit sharing schemes. As a result, two share participation schemes are operated, the larger for U.K. employees and the other for those in Dublin and Jersey.

The annual allocation to the schemes, which is allowed for corporation tax purposes, was increased from £760,000 to £810,000 in line with the improved profit, making a total allocation of £2,670,000 since the inception of the schemes in 1977/78.

Pension fund
The company's contribution to the pension fund increased by almost 15%. The rate of normal contributions remained unchanged, and therefore varied only in direct relationship to the number of members and their remuneration, but additional cost was incurred by the decision to increase pensions by 10% from May 1981. A similar award becomes

Chairman's statement *continued*

effective this May to give our retired colleagues some protection against the increased cost of living.

The pension fund valuation at April 1981 showed a substantial surplus over book value.

SavaCentre

SavaCentre made good progress during the year. A fifth hypermarket opened successfully at Calcot in September and sales there have exceeded estimates. All five operating units, which reflect the high trading standards of the two parent companies, are now well established and are progressively improving their performance.

They provide a sound base for further expansion, which should not require any further major cash injection from the parent companies, and we look forward with confidence to an improving profit contribution from SavaCentre in future years.

Tribute must be paid to the management team of SavaCentre. Since its creation only seven years ago, a soundly based management structure has been built with the help of the parent companies and the effort on training and career development has been such that most senior positions within SavaCentre are now filled by internal promotion.

Board

Sir Maurice Hodgson joined the board on 1st April 1982 and has been elected to succeed me at the conclusion of the forthcoming annual general meeting.

Sir Maurice has had a long and highly successful industrial career and his wide experience and knowledge of affairs both in this country and abroad will be of immense benefit to the board and to the company.

Outlook

In my last two annual statements, when assessing the outlook for the then current year, I sounded a cautious note. In this, my last statement as chairman, I remain cautious about forecasting an improvement in trading conditions in the immediate future. The country remains in recession and, while there are signs of recovery in due course, forecasts for retail volume sales in 1982 suggest no increase.

Such operating economies as we have been able to effect will be maintained but there is a limit to what can be done without impairing customer service and general efficiency. It seems unlikely that the rate of merchandise price increase can be kept as low as last year's 3% and if profits are to advance, an increase in our share of consumer spending must be our objective in the keenly competitive retail environment which will persist.

There are also longer term issues to be faced and in this connection I would like to outline the company's strategy for profitable growth.

I have referred to our plans for new store openings and there is no doubt that there is scope for physical expansion where investment is justified. But the real potential is in the existing stores and our efforts will be concentrated on them.

Over the years, we have improved the quality of our merchandise and earned the reputation of giving value for money. It is apparent, even in times of recession, that value is more important than price alone and our research shows we have the opportunity to make deeper penetration into identified areas of the market by further development of our reputation for quality and service.

Our marketing strategy is therefore to improve, without necessarily extending, the choice of goods available to customers by the progressive introduction of higher priced merchandise. We benefited last year from better range and stock control and are determined to further improve in both these important areas in the future.

Our substantial investment in technology to provide improved information for merchandising decisions and in a distribution service to implement them will be of increasing benefit in the pursuit of this policy and we have the financial strength to ensure continued refurbishment and expansion of stores to provide an attractive customer environment and to increase our market share.

I am now in my seventieth year and about to retire from the board after serving for six years as its chairman. Throughout this period I have enjoyed total co-operation from all my board colleagues and I am grateful to them and to all the staff for their support.

The company is sound in every aspect and as I relinquish office I would make one forecast not tinged with caution: the positive attitude prevailing throughout the company from top to bottom guarantees the impetus to further strengthen the already established BHS position as one of the country's leading retailers. I have every confidence in its future success.

JACK CALLARD
10th May 1982

Directors' report

The directors having approved the accounts for the fifty two weeks to 3rd April 1982 on 10th May 1982, submit their report at that date.

Re-registration under Companies Act 1980
In compliance with the Companies Act 1980, the company was re-registered as British Home Stores PLC on 28th July 1981.

Profits and dividends
The profit for the year after providing for taxation was £26,797,000. With the exception of certain subsidiary companies, provision has not been made for taxation deferred by reason of capital allowances, in the light of the reasonable probability that the taxation deferred will so remain as a result of continuing capital expenditure. The taxation charge of £15,765,000 would have been £20,086,000 had full provision been made for deferred taxation. An interim dividend of 1·75p per share on the ordinary shares, and dividends on the preference stocks, have been paid at a net cost of £3,618,000.

The directors recommend payment on 5th July 1982 of a final dividend of 3p per share on the ordinary shares. This dividend requires £6,168,000 leaving £17,322,000 to be added to reserves. The total ordinary dividend will absorb £9,766,000 (1981-£9,228,000) of the profit after taxation.

The BHS Employees 1981 Share Participation Scheme
Under this new scheme, approved by shareholders on 1st July 1981, 514,383 ordinary shares were allotted on 20th July 1981 to employees at an issue price of 146·25p per share.

The BHS Employees Share Participation Scheme (1977)
Under this Scheme, approved by shareholders on 16th November 1977, 6,629 ordinary shares were allotted on 16th June 1981 at an issue price of 171·25p per share. This scheme is maintained only for the benefit of employees resident in Ireland and Jersey.

The BHS Savings-Related Share Option Scheme
This scheme also was approved by shareholders on 1st July 1981. It enables 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. In 1981 an offer of options was made to eligible employees and details are shown in note 7 on page 16. There are currently 749 participants in the scheme.

The BHS Share Option Scheme
Under this scheme, approved by shareholders on 2nd July 1980, executive directors and selected senior executives may be granted options to purchase ordinary shares in the company. The options are normally exercisable between three years and ten years after the date of grant.

Details of options granted are shown in note 7 on page 16. There are currently eighteen participants in the scheme.

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 7% cumulative preference capital of the company:

Pearl Assurance Company PLC	20,000 stock units
The National Farmers Union Mutual Insurance Society Limited	28,000 stock units
G.R.E. Nominees Limited	34,400 stock units
Guardian Royal Exchange Assurance PLC	29,600 stock units

Directors
The present directors of the company, whose names appear on page 2, served as directors for the whole of the financial year, except in the case of Sir Maurice Hodgson who was appointed a director on 1st April 1982.

In accordance with the provisions of the company's articles of association Sir Harold Atcherley, Sir Maurice Hodgson, Mr. C. J. Kerr and Mr. A. I. Phillips retire as directors and, being eligible, offer themselves for re-election.

Directors' report *continued*

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

	Ordinary shares		7% Cumulative preference stock		9% Convertible loan stock		Ordinary shares under option**	
	3rd April 1982 Shares	4th April 1981 Shares	3rd April 1982 £	4th April 1981 £	3rd April 1982 £	4th April 1981 £	3rd April 1982 Shares	4th April 1981 Shares
Sir Jack Callard	1,800	1,800			225	225		
C. W. Paterson	38,268	42,268	100	100			60,000	60,000
R. W. Burgess	14,787	14,104					63,870†	60,000
N. T. Griffin	11,445	13,762	100	100			60,000	60,000
Sir Harold Atcherley	2,000	2,000	100	100	250	250		
D. P. Cassidy	3,604	3,060			382	382	63,870†	53,520
A. R. Dearden	1,995	1,458					60,000	53,619
Sir Maurice Hodgson	1,000							
C. J. Kerr	6,306	5,719					63,870†	57,974
T. N. S. Lenthall	2,579	2,000					60,000	55,707
The Earl of Lisburne	100,880*	100,880*	100	100	6,672*	6,672*		
A. I. Phillips	3,474	2,982			566	566	62,577†	49,364
J. F. Power	2,000	2,000			250	250	60,000	59,701

* These figures include a non-beneficial interest in 65,200 ordinary shares (1981 – 65,200) and £2,500 9% Convertible unsecured loan stock (1981 – £2,500).

** Options granted under The BHS Share Option Scheme plus, where marked†, options granted on 3,870 ordinary shares under The BHS Savings-Related Share Option Scheme.

No director held any mortgage debenture stock in the company during the year. There have been no changes in the directors' interests in the company's shares and stock from 4th April to 10th May 1982.

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

Employees

	1981/82	1980/81
The average weekly number of employees of the group, including 14,859 part-time workers (1980/81-16,955) was	25,239	26,617
and their aggregate remuneration, including employer's national insurance contributions, was	£63,497,000	£60,723,000

Disabled persons
The company continues to do all that is practicable to meet its responsibility to employ disabled persons. It is the company'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 company 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.

Principal activity
The group carries on business as retailers through variety chain stores throughout the United Kingdom and also in Ireland and Jersey. There are currently one hundred and twenty stores, including three lighting shops.

Donations
The total amount donated for charitable purposes was £75,000. A contribution of £1,000 was made to British United Industrialists.

Directors' report *continued*

Fixed assets
Independent valuations of the group's freehold and leasehold properties on an open market for existing use basis were carried out as at 4th April 1981. These valuations amounted to £136,862,000.

After taking account of additions and disposals since the previous directors' report, it is the opinion of the directors that the value of the group's properties at 3rd April 1982 is not less than these valuations.

Sale of Subsidiary Company
BHS (Leasing) Limited was sold on 31st December 1981 for an amount of £464,000. After taking into account taxation, the profit on disposal was £311,000.

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

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

By order of the board
J. N. GILDER
Secretary

London, 10th May 1982

Consolidated profit and loss account

for the 52 weeks to 3rd April 1982

	Notes	52 weeks to 3rd April 1982 £000	52 weeks to 3rd April 1982 £000	53 weeks to 4th April 1981 £000	53 weeks to 4th April 1981 £000
Sales (including value added tax)	1		471,640		452,225
Value added tax			44,077		42,126
Sales (excluding value added tax)			427,563		410,099
Profit before interest and taxation			39,669		40,549
Interest receivable/(payable)	2		1,387		(1,120)
Share of profit of associated companies			1,506		229
Profit before taxation	2		42,562		39,658
Taxation	3		15,765		12,052
Profit after taxation			26,797		27,606
Extraordinary item	4		311		—
Profit for the year			27,108		27,606
Dividends	5		9,786		9,248
Retained profit for the year transferred to reserves	8				
Parent company		16,665		17,724	
Subsidiaries		657	17,322	634	18,358
Earnings per ordinary share	6		13.0p		13·5p

The accounting policies and notes on pages 14 to 19 form part of these accounts.

Balance sheets

at 3rd April 1982

	Notes	3rd April 1982 Group £000	3rd April 1982 Parent Company £000	4th April 1981 Group £000	4th April 1981 Parent Company £000
Capital employed					
Issued share capital	7	51 797	51,797	51,668	51,668
Reserves	8	116,616	112,410	98,663	95,114
		168,413	164,207	150,331	146,782
Deferred taxation	9	2,419	2,046	1,754	1,361
Loan capital	10	29,612	29,612	29,802	29,802
		200,444	195,865	181,887	177,945
Use of capital					
Fixed assets	11	132,951	127,253	121,407	115,730
Investment in subsidiary companies	13	—	1,479	—	1,343
Assets less liabilities of BHS (Leasing) Limited	4	—	—	52	—
Investment in associated companies	14	21,371	21,371	19,369	19,369
Current assets					
Stocks		55,850	54,611	58,552	57,377
Debtors		6,129	6,059	4,037	3,961
Loans to trustees of executives share scheme		7	7	42	42
Cash and short term deposits		39,744	39,711	24,375	24,295
		101,730	100,388	87,006	85,675
Current liabilities					
Creditors		31,516	31,123	26,917	26,693
Taxation		17,924	17,335	12,267	11.840
Amount due to BHS (Leasing) Limited	4	—	—	1,124	—
Proposed final dividend		6,168	6,168	5,639	5,639
		55,608	54,626	45,947	44,172
Net current assets		46,122	45,762	41,059	41,503
		200,444	195,865	181,887	177,945

JACK CALLARD
R. W. BURGESS
Directors

The accounting policies and notes on pages 14 to 19 form part of these accounts.

Consolidated current cost profit and loss account

for the 52 weeks to 3rd April 1982

	Notes	52 weeks to 3rd April 1982 £ million	53 weeks to 4th April 1981 £ million
Sales (excluding value added tax) as shown in the historical cost accounts		427·5	410·1
Profit before interest and taxation as shown in the historical cost accounts		39·6	40·5
Deduct Current cost adjustments	16(b)	6·0	5·7
Current cost operating profit		33·6	34·8
Add Gearing adjustment		0·4	0·5
Interest receivable/(payable)		1·4	(1·1)
		35·4	34·2
Add Share of current cost profit of associated companies		1·3	0·1
Current cost profit before taxation and extraordinary item		36·7	34·3
Deduct Taxation	16(c)	(15·8)	(12·1)
Add Extraordinary item	16(d)	0·3	—
Current cost profit after taxation		21·2	22·2
Dividends		9·8	9·2
Retained current cost profit for the year		11·4	13·0
Retained distributable reserves brought forward		76·9	80·9
Deduct Balance of capitalisation issue		—	(17·0)
Retained distributable reserves carried forward		88·3	76·9
Current cost earnings per share		10·2p	10·8p

Statement of retained profit/reserves

	Notes	52 weeks to 3rd April 1982 £ million	53 weeks to 4th April 1981 £ million
Retained distributable reserves		88·3	76·9
Current cost reserves	16(f)	85·4	79·8
Non-distributable reserves		4·5	3·9
Total retained profit/reserves		178·2	160·6

Consolidated current cost balance sheet

at 3rd April 1982

	Notes	3rd April 1982 £ million	4th April 1981 £ million
Capital employed			
Issued share capital	7	51·8	51·7
Retained profit and reserves		178·2	160·6
		230·0	212·3
Deferred taxation	9	2·4	1·7
Loans	10	29·6	29·8
		262·0	243·8
Use of capital			
Fixed assets	16(e)	185·0	179·5
Assets less liabilities of BHS (Leasing) Limited		—	0·1
Investment in associated companies		30·9	23·1
Net current assets		46·1	41·1
		262·0	243·8

The notes on page 20 form part of these accounts

Group source and application of funds

for the 52 weeks to 3rd April 1982

	52 weeks to 3rd April 1982 £000	52 weeks to 3rd April 1982 £000	53 weeks to 4th April 1981 £000	53 weeks to 4th April 1981 £000
Source of funds				
Profit before taxation and extraordinary item		42,562		39,658
Extraordinary item		311		—
		42,873		39,658
Adjustments for items not involving the movement of funds				
Depreciation	10,777		9,367	
Profit retained in associated companies	(1,506)		(229)	
Profit on sale of BHS (Leasing) Limited (including trading profit to date of disposal)	(460)	8,811	(182)	8,956
Total generated from operations		51,684		48,614
Funds from other sources				
Loan capital less costs of rights issue	—		24,857	
Capital raised under employees share participation scheme	760		571	
Proceeds of disposal of BHS (Leasing) Limited (including dividend received)	570	1,330	—	25,428
		53,014		74,042
Application of funds				
Net capital expenditure	22,321		20,150	
Taxation paid	9,347		10,874	
Dividends paid	9,257		8,982	
Investment in associated companies	650		8,636	
Redemption of debenture stock	190		214	
(Decrease) in working capital (note 2)	(4,120)	37,645	(2,131)	46,725
Movement in net liquid funds (note 1)		15,369		27,317

Notes:

1. Movement in net liquid funds

	1982 £000	1981 £000
Increase in cash and deposits	15,369	10,152
Decrease in borrowings	—	17,165
	15,369	27,317

2. Movement in working capital

	1982 £000	1981 £000
(Decrease) in stocks	(2,702)	(934)
Increase/(decrease) in debtors	2,057	(2,836)
Decrease/(increase) in amounts due to BHS (Leasing) Limited	1,124	(284)
	479	(4,054)
(Increase)/decrease in creditors	(4,599)	1,923
Net (decrease) in working capital	(4,120)	(2,131)

The accounting policies on page 14 form part of these accounts.

Accounting policies

a Convention

Except where otherwise stated, the accounts have been prepared on the basis of the historical cost convention.

b Consolidation

i The consolidated profit and loss account includes the results of the trading subsidiary companies (as listed on page 23) for the fifty two weeks to 3rd April 1982 and the results of BHS (Leasing) Limited to 31st December 1981, the date of its disposal.

ii The consolidated balance sheet includes the net tangible assets of all the subsidiary companies at that date (as listed on page 23).

iii All assets and liabilities of overseas subsidiaries have been 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 have been translated into sterling at average monthly rates of exchange. All exchange differences are treated as part of the results for the year.

c Depreciation

i Freehold properties
Depreciation is provided in respect of freehold properties and fixed equipment included therein on a straight line basis at 1% and 5% per annum respectively. Empty properties are not depreciated.

ii Leasehold properties
Properties having a lease with more than ninety nine years to run are amortised on a straight line basis at 1% per annum. Other leasehold properties are amortised over the unexpired portion of the respective leases. Equipment included in leasehold properties is depreciated on a straight line basis at 5% per annum. Empty properties are not depreciated.

iii Fixtures, furnishings and equipment
Depreciation of fixtures, furnishings and equipment is provided on a straight line basis at annual rates of between 10% and 25% in order to write off the assets over the estimated working lives of the various categories of items involved.

d Stocks

Stocks have been consistently valued at the beginning and end of the year at selling prices less an appropriate margin to reduce the items concerned to the lower of cost and net realisable value, except where the actual cost is known.

e Deferred taxation

Provision is made for deferred taxation on the liability method for timing differences arising from the inclusion of items of income and expenditure in the accounts of a different period from that in which they are dealt with for taxation purposes. Provision is not made for taxation deferred by reason of capital allowances where it is considered that there is a reasonable probability that the taxation deferred will so remain as a result of continuing capital expenditure. Advance corporation tax to be offset against the corporation tax liability of the following year is deducted from the provision.

Notes on the accounts

1 Sales (including value added tax)

The amount shown represents cash taken at the group's stores analysed as follows:

	1982 £000	1981 £000	Change %
Merchandise	366,198	350,653	+4·4
Food	78,134	74,929	+4·3
Restaurant	27,308	26,643	+2·5
Total sales	471,640	452,225	+4·3

2 Profit before taxation

The profit before taxation £42,562,000 (1981–£39,658,000), of which £41,505,000 (1981–£38,550,000) has been dealt with in the accounts of the parent company and £149,000 (1981–£182,000) in the accounts of BHS (Leasing) Limited, up to the date of disposal, has been arrived at after deducting:

	£000	1982 £000	£000	1981 £000
Interest payable – on bank loans and overdrafts	223		1,145	
– on loans repayable after five years	2,572	2,795	1,891	3,036
Less: interest receivable		(4,182)		(1,916)
Net interest (receivable)/payable		(1,387)		1,120
Directors' emoluments (see note 15)		372		350
Auditors' remuneration		42		38
Hire of equipment		401		796
Depreciation and amortisation		10,777		9,367
Contribution to pension fund		3,911		3,411
Contribution to employees share participation scheme		810		760
BHS (Leasing) Limited—Depreciation		1,370		1,287
—Interest payable		499		1,111
—Leasing rents receivable		(1,866)		(2,627)

3 Taxation

	£000	1982 £000	£000	1981 £000
United Kingdom corporation tax at 52%				
–Parent company		14,232		14,601
–*Less* consortium relief in respect of associated companies		(335)		(2,300)
		13,897		12,301
–BHS (Leasing) Limited		74		237
Overseas taxation		362		258
Share of taxation charge of associated companies		360		308
Taxation on the profits of the year		14,693		13,104
Deferred taxation				
–Group consolidated	1,080		150	
–BHS (Leasing) Limited	—		(146)	
–Share of associated companies	(205)	875	(181)	(177)
Corporation tax adjustments in respect of previous years		197		(875)
		15,765		12,052

The taxation charge for 1982 would have been £20,086,000 (1981–£19,968,000) had full provision been made for deferred taxation.

8 Reserves

	Balance at 5th April 1981 £000	Retained profit for the year £000	Issue of shares £000	Balance at 3rd April 1982 £000
Parent company				
Distributable	95,114	16,665	—	111,779
Non-distributable —Share premium	—	—	631	631
Total	95,114	16,665	631	112,410
Group				
Distributable	94,802	17,322	—	112,124
Non-distributable —Share premium	—	—	631	631
—Other	3,861	—	—	3,861
Total	98,663	17,322	631	116,616

9 Deferred taxation

	Group £000	Parent Company £000
Balance at 5th April 1981	1,754	1,361
Transfer from profit and loss account (note 3)	1,080	1,117
Transfer to current taxation	(189)	(206)
Advance corporation tax deducted from corporation tax payable 1st April 1983	2,417	2,417
Deduct Advance corporation tax recoverable 1st April 1984	(2,643)	(2,643)
Balance at 3rd April 1982	2,419	2,046

The total potential deferred tax liability and the amount provided are as follows:

	Group Potential £000	Group Provided £000	Parent Company Potential £000	Parent Company Provided £000
Capital allowances	34,476	373	34,103	—
Other timing differences	5,567	4,689	5,567	4,689
Deduct Advance corporation tax recoverable 1st April 1984	(2,643)	(2,643)	(2,643)	(2,643)
	37,400	2,419	37,027	2,046

10 Loan capital

	Outstanding at 5th April 1981 £000	Redeemed £000	Outstanding at 3rd April 1982 £000
Secured			
5½% Mortgage debenture stock 1989/94	949	64	885
6½% Mortgage debenture stock 1989/94	1,411	75	1,336
7¼% Mortgage debenture stock 1994/98	1,808	51	1,757
Unsecured			
9% Convertible unsecured loan stock 1992	25,634	—	25,634
	29,802	190	29,612

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

Holders of 9% Convertible unsecured loan stock 1992 may convert all or part of their holdings into ordinary shares of the company in any of the years 1983 to 1991 at the rate of 66 ordinary shares for £100 nominal of loan stock (i.e. an approximate rate of 151·5p loan stock for each ordinary share). Any loan stock outstanding on 30th July 1992 will be repaid at par on that date.

Notes *continued*

11 Fixed assets

	Group: Properties including fixed equipment – Freehold £000	Group: Properties including fixed equipment – Leasehold £000	Group: Fixtures, furnishings and equipment £000	Group: Total £000	Parent Company: Properties including fixed equipment – Freehold £000	Parent Company: Properties including fixed equipment – Leasehold £000	Parent Company: Fixtures, furnishings and equipment £000	Parent Company: Total £000
Gross book value at 5th April 1981								
Cost	17,105	81,010	57,163	155,278	12,552	80,308	55,970	148,830
Valuation	—	3,417	—	3,417	—	3,417	—	3,417
Total	17,105	84,427	57,163	158,695	12,552	83,725	55,970	152,247
Additions during year	315	7,586	14,732	22,633	260	7,543	14,543	22,346
Disposals during year	(42)	—	(4,554)	(4,596)	(8)	—	(4,533)	(4,541)
Transfers	157	(157)	—	—	157	(157)	—	—
At 3rd April 1982								
Cost	17,535	88,439	67,341	173,315	12,961	87,694	65,980	166,635
Valuation	—	3,417	—	3,417	—	3,417	—	3,417
Depreciation and amortisation								
At 5th April 1981	1,070	12,924	23,294	37,288	830	12,839	22,848	36,517
Charge for the year	324	2,417	8,036	10,777	249	2,396	7,899	10,544
Amount relating to disposals/transfers	45	(50)	(4,279)	(4,284)	47	(50)	(4,259)	(4,262)
At 3rd April 1982	1,439	15,291	27,051	43,781	1,126	15,185	26,488	42,799
Net book values								
At 3rd April 1982	16,096	76,565	40,290	132,951	11,835	75,926	39,492	127,253
At 5th April 1981	16,035	71,503	33,869	121,407	11,722	70,886	33,122	115,730

The net book value of leaseholds, at 3rd April 1982 in respect of leases with less than fifty years to run includes £6,902,000 (1981 – £6,984,000) in the case of the group and £6,704,000 (1981 – £6,762,000) in the case of the company. The freehold and leasehold properties were revalued at 31st March 1981 on an open market for existing use basis at £136,862,000. This revaluation has not been taken into account in the book value.

The valuation shown in respect of leasehold properties represents a valuation at 2nd January 1960.

12 Capital expenditure commitments

Commitments for capital expenditure are estimated as follows:—

	1982 £000	1981 £000
Contracted for but not provided in the accounts – Parent company	13,072	15,795
– Subsidiaries	—	132
	13,072	15,927
Authorised by the directors but not contracted – Parent company	10,486	5,986
	23,558	21,913

Notes *continued*

13 Subsidiary companies

A list of the subsidiary companies appears on page 23.

	1982 £000	1981 £000
Shares at cost	421	441
Add Amounts due by subsidiary companies	4,539	4,544
	4,960	4,985
Deduct Amounts due to subsidiary companies	3,481	3,642
	1,479	1,343

14 Associated companies

The company holds 50% of the share capital of the following associated companies, which are registered in England:

SavaCentre Limited 16,180,050 'A' Ordinary shares of £1 each
SavaCentre (Leasing) Limited 50 'A' Ordinary shares of £1 each

The results of SavaCentre Limited and SavaCentre (Leasing) Limited have been based on audited accounts of those companies for the year ended 23rd January 1982.

The assets and liabilities of the associated companies are as follows:—

	1982 £000	1981 £000
Fixed assets	47,753	43,071
Current assets	12,502	8,491
Current liabilities	(21,838)	(15,426)
Net current liabilities	(9,336)	(6,935)
	38,417	36,136
Net short term cash advances/(borrowings) from parent companies	3,555	(868)
Loans from parent companies	(8,000)	(4,000)
Shareholders' funds at 23rd January 1982	33,972	31,268
The company's share is represented by:—		
Cost of investment	16,342	16,342
Reserves	806	(507)
	17,148	15,835
Loans to 23rd January 1982	4,000	2,000
Cash advances to 23rd January 1982	(1,777)	434
	19,371	18,269
Cash advances since 23rd January 1982	2,000	1,100
Net investment at 3rd April 1982	21,371	19,369

15 Emoluments of directors and certain employees

	1982 £000	1981 £000
The emoluments of the directors of the company, as defined by section 196 (2) of the Companies Act 1948, are as follows:		
Fees for services as directors	32	29
Other emoluments, including pension contributions and benefits	340	321
	372	350

The emoluments of the directors and certain employees of the company, as defined by sections 6 and 8 of the Companies Act 1967, are as follows:

	Directors		Employees	
	1982	1981	1982	1981
	£	£		
Chairman	13,142	11,552		
Highest paid director	53,889	43,100		
Others in emolument scales	Number	Number	Number	Number
Up to £5,000	3	3		
£10,001 – £15,000	1	—		
£15,001 – £20,000	—	1		
£20,001 – £25,000	—	1	7	1
£25,001 – £30,000	1	6		
£30,001 – £35,000	5	1		
£35,001 – £40,000	1	—		

16 Current cost accounts

(a) Basis of presentation

The current cost accounts shown on page 12 have been prepared in accordance with the principles set out in Statement of Standard Accounting Practice number 16. The notes below state how these principles have been applied.

(i) Cost of sales and monetary working capital adjustments.

The cost of sales adjustment has been calculated using the averaging method to reflect the current cost of stocks at the time sales were made. Specific indices compiled by the Central Statistical Office were used for this adjustment. The monetary working capital adjustment has been calculated using the same indices on the amount by which creditors exceed debtors.

(ii) Fixed assets and depreciation adjustment

Land and buildings

Land and buildings have been included on the basis of a revaluation of the company's property as adjusted by the directors. Current cost depreciation has been based on the adjusted values.

Fixtures

Fixtures have been included at current cost net book value which has been calculated by applying an appropriate index to the historical cost net book value. Current cost depreciation has been calculated by applying appropriate indices to the historical cost depreciation.

Depreciation

The depreciation adjustment is the difference between the current cost and historical cost depreciation.

(iii) Gearing adjustment

The gearing adjustment represents the proportion of the current cost adjustments financed by sources of capital other than shareholders' funds. For the purpose of this adjustment deferred taxation has been classified as a liability.

(iv) Foreign currency

Assets and liabilities denominated in a foreign currency have been translated to sterling on the same basis as disclosed in the historical cost accounts.

(v) Associated companies

Current cost accounts for the associated companies have been included.

(b) Current cost adjustments

	1982 £million	1981 £million
Cost of sales	2·4	3·9
Monetary working capital	(1·0)	(1·4)
	1·4	2·5
Additional depreciation	4·6	3·2
	6·0	5·7

(c) Taxation

The taxation charge is the same as the charge in the historical cost accounts.

(d) Extraordinary item

	1982 £million	
Profit on disposal of subsidiary company.	0·3	-

(e) Fixed assets

	Gross £million	Depreciation £million	1982 Net £million	1981 Net £million
Land and buildings	142·4	0·8	141·6	136·9
Fixtures, furnishings and equipment	97·2	53·8	43·4	42·6
	239·6	54·6	185·0	179·5

(f) Current cost reserve

	£million	1982 £million	£million	1981 £million
Balance at 5th April 1981		79·8		42·6
Surplus/(deficit) on revaluations during year				
Land and buildings	0·4		33·0	
Fixtures, furnishings and equipment	(1·7)		0·1	
Investment in associated companies	5·9		2·1	
		4·6		35·2
Current cost adjustments				
Cost of sales	2·4		3·9	
Monetary working capital	(1·0)		(1·4)	
Gearing	(0·4)		(0·5)	
		1·0		2·0
Balance at 3rd April 1982		85·4		79·8

Auditors' report

To the members of British Home Stores PLC

We have audited the accounts on pages 10 to 20 in accordance with approved Auditing Standards.

In our opinion the accounts on pages 10 and 11 and pages 13 to 19, which have been prepared on the basis of the accounting policies on page 14, give a true and fair view of the state of affairs of the company and of the group at 3rd April 1982 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 Acts 1948 to 1981.

In our opinion the current cost accounts set out on pages 12 and 20 have been properly prepared in accordance with the accounting policies and methods set out on page 20, to give the information required by Statement of Standard Accounting Practice number 16.

Peat Marwick Mitchell & Co

Peat, Marwick, Mitchell & Co.
Chartered accountants

London, 10th May 1982

Notice of meeting

Notice is hereby given that the fifty fourth annual general meeting of British Home Stores PLC, will be held at 11.30 a.m. on Wednesday, 30th June 1982, at The Connaught Rooms, Great Queen Street, London WC2B 5DA, for the following purposes:

To receive and consider the directors' report and the statement of accounts for the fifty two weeks to 3rd April 1982 together with the auditors' report.

Resolution no. 1

To declare a dividend on the ordinary shares.

Resolution nos. 2–5

To elect the following directors who retire in accordance with the company's articles of association:

Sir Harold Atcherley, Sir Maurice Hodgson, Mr. C. J. Kerr and Mr. A. I. Phillips

Resolution no. 6

To appoint the auditors, and to authorise the directors to fix the auditors' remuneration.

By order of the board
J.N. GILDER
Secretary

London, 2nd June 1982

Notes:

(i) Members of the company are entitled to appoint one or more proxies to attend and, on a poll, to vote on their behalf. A proxy need not be a member of the company.

(ii) Warrants for the final ordinary dividend will be posted on 2nd July 1982 to shareholders on the company's register on 7th June 1982.

(iii) No director of the company has a contract of service with the company or with any of its subsidiaries which is not determinable within one year without payment of compensation.

Five-year financial record

	1981/82 £000	1980/81 £000	1979/80 £000	1978/79 £000	1977/78 £000
Sales	471,640	452,225	401,255	324,192	273,569
Profit before taxation	42,562	39,658	41,829	33,578	27,022
Taxation	15,765	12,052	11,068	10,969	12,395
Profit after taxation	26,797	27,606	30,761	22,609	14,627
Extraordinary items	311	—	591	241	147
Preference dividends	20	20	20	20	21
Ordinary dividends	9,766	9,228	8,955	7,154	6,405
Retained profit	17,322	18,358	22,377	15,676	8,348
Earnings per ordinary share*	13.0p	13·5p	15·0p	11·0p	7·2p
Earnings per ordinary share* (full deferred tax charged)	10.9p	9·6p	9·6p	8·1p	6·2p
Current cost earnings per ordinary share*	10.2p	10·8p	11·9p	—	—

	£000	£000	£000	£000	£000
Shareholders' interests	168,413	150,331	132,179	109,484	93,622
Deferred taxation	2,419	1,754	1,957	518	211
Loans	29,612	29,802	4,382	4,656	4,827
Capital employed	200,444	181,887	138,518	114,658	98,660
Fixed assets and investments	154,322	140,828	121,336	93,218	78,217
Deferred asset	—	—	—	786	1,710
Net current assets	46,122	41,059	17,182	20,654	18,733
Employment of capital	200,444	181,887	138,518	114,658	98,660

****After adjusting for capitalisation and rights issues.***

Notes:

1. Figures for 1977/78 have been adjusted for comparison on change in accounting policy with regard to deferred taxation.
2. The amounts disclosed are based on the historical cost accounts except where stated.

Subsidiary companies

The company holds 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)

Non-trading companies

British Home Stores Employees Trust Limited
British Home Stores (Wholesale) Limited
BHS Retail Limited
Hall Crown Limited
Henry's Stores Limited
Irish Home Stores Limited (incorporated in Republic of Ireland)
Scottish Home Stores Limited

Analysis of ordinary shareholdings

Shareholdings range	Shareholders Number	Shareholders %	Shares Number	Shares %
Over 400,000 shares	93	0·24	98,635,093	47·98
200,001–400,000	52	0·13	15,309,836	7·45
40,001–200,000	278	0·70	26,904,331	13·08
20,001–40,000	223	0·56	6,554,197	3·19
8,001–20,000	915	2·31	11,155,129	5·42
4,001–8,000	2,224	5·61	12,277,719	5·97
2,001–4,000	5,319	13·40	15,025,713	7·31
401–2,000	17,155	43·23	17,922,665	8·72
1–400	13,421	33·82	1,805,301	0·88
	39,680	100·00	205,589,984	100·00

Category of shareholders	Shareholders Number	Shareholders %	Shares Number	Shares %
Banks, nominees and trustee companies	2,147	5·41	75,399,747	36·67
Insurance companies	206	0·52	30,336,078	14·75
Pension funds	97	0·24	25,773,020	12·54
Other corporate bodies	209	0·53	10,683,706	5·20
Individuals	37,021	93·30	63,397,433	30·84
	39,680	100·00	205,589,984	100·00

The market values of the company's shares and stocks at 6th April 1965 (as adjusted for subsequent capitalisation and rights issues) for the purposes of capital gains tax were as follows:

Ordinary shares	36·858p per 25p share
7% (4·9% plus tax credit) cumulative preference stock	100p per £1 unit
5½% mortgage debenture stock 1989/94	£85·50 per £100 stock
6½% mortgage debenture stock 1989/94	£97·50 per £100 stock
9% convertible unsecured loan stock 1992	£28·3011 per £100 stock

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