



BhS plc

REPORT AND ACCOUNTS

1989-90

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DIRECTORS' REPORT

The directors submit their report on the accounts for the fifty-two weeks to 31 March 1990.

Review of the business

The group's principal activity continues to be that of retailers through variety chain stores throughout the United Kingdom and in Ireland and Jersey. It now has 136 stores and a total sales area of 3.4 million sq ft. The stores sell clothes for the modern women and family, decorative home furnishings, gifts and speciality packaged food. There are restaurants in 89 stores and there are 18 franchise stores worldwide.

Sales for the year of £684m were 7.6 per cent higher than last year. The profit on ordinary activities before exceptional items of £10.0m showed a reduction of 73% over the previous year. The exceptional item charge of £32.7m mainly represents the write-off of store assets in properties which were disposed of to Oppidan Estates Ltd and provision for redundancy costs following a major review of group activities. The write-off of assets is more than offset by profits arising on the disposal of the properties to Oppidan at open market value, by Storehouse Properties Ltd, another subsidiary of Storehouse PLC.

New stores were opened during the year at: the St Enoch Centre in Glasgow, Merry Hill in Dudley and Bath; and Portsmouth store was re-sited.

During the first half BHS maintained volume through a series of promotions and marketing exercises. The launch of Choice Card, the most successful new promotion, together with a strong autumn offer, strengthened trading at the start of the second half. Choice Card, which encourages customers to return by offering a gradually increasing discount based on the value of goods purchased, has added sales and will provide useful data for future marketing programmes.

The arrival of David Dworkin in November as Chairman and Chief Executive of BHS was followed by a strengthening and restructuring of senior management and a comprehensive review of BHS operations. The introduction just before Christmas of Spring/Summer stock and the use of heavy markdowns to clear old and obsolescent stock represented the first initiatives of the new management. Turnover rose substantially and has subsequently been maintained at this higher level, boosting the second half trading. Longer term initiatives include the strengthening of the buying and marketing functions. A closer involvement with suppliers will, in the current year, lead to a reduction in lead times and a more frequent and regular flow of goods into the stores, increasing BHS' responsiveness to trends and market changes. The service and environment that customers experience within the stores are being improved, concentrating on basic improvements to layout and display. These enable stores to be ranged according to their size and demographic location and have generated an excellent response from customers.

BHS policy on concession inserts has been re-evaluated. Although generally successful, in some instances inserts confuse the customer or use prime trading space. Increasingly BHS will retain only those inserts that complement the main offer.

The company ended the year on a strong note, continuing to experience buoyant trading and with a healthy stock position.

The results of an extensive operational review were announced in May. Simplified store management and administration will enable an increased percentage of store staff to be employed in selling. This, together with reduced overhead costs and improved efficiency throughout the organisation, will speed up response to customer demands, both at the centre and at store level.

Oppidan Estates Ltd

During the year the company invested £25.6m in its related company Oppidan Estates Ltd, in which it now owns 50% of the Ordinary share capital.

The Oppidan management team was established and the company acquired a portfolio of properties valued at approximately £120m from Storehouse PLC and £50m from London & Edinburgh Trust PLC.

Oppidan has had an encouraging start to its operations and whilst 1990 will undoubtedly be a very difficult year, the Directors are optimistic that momentum will be maintained.

Further details of the investment are given in note 13.

Mortgage Debenture Stock

The amount outstanding to Mortgage Debenture stockholders at the balance sheet date was £2,771,000 - see note 17.

In respect of the 5% and 6% stock, the company gave notice on 13 March 1990 of its intention to redeem the stock at par and with accrued interest on 19 June 1990, which it was enabled to do under the Trust Deeds.

In respect of the 7% stock, the company gave notice on 13 March 1990 of its proposal to redeem the stock and a meeting of stockholders was arranged for 18 April 1990 to consider the proposal. An extraordinary resolution was passed at the meeting that the stock be redeemed at par with accrued interest on 19 June 1990.

LONDON CARDIFF
- 8 OCT 1990 - 9 OCT 1990

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DIRECTORS' REPORT continued

Dividends

Dividends on the preference stocks have been paid at a total of £26,000. An interim ordinary dividend of £4,609,000 has been paid.

The directors recommend a final dividend of £30,000,000. After the payment of dividends, the amount withdrawn from reserves is £90.8m.

Share capital

During the year 2,709 shares were issued on exercising of share options. Details of the issues and of outstanding options are given in note 19 on page 15.

Employee involvement

BHS continues to attach a high level of importance to all forms of communication and consultation with employees throughout the Company.

Disabled employees

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

Donations

The total amount donated for charitable purposes was £103,000.

Directors

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

D L Dworkin	Chairman and Chief Executive Appointed 13 November 1989
C G Coles	
A T Newman	

During the year the following directors retired from the Board, Mr J R Hobson on 14 July 1989, Mr G Davy on 30 November 1989, Mr A G Anderson on 8 December 1989, Mr D H Maynard, Mr J F Power and Mr M Toogood on 31 December 1989 and Mr P Diamond on 30 April 1990.

In accordance with the provisions of article 107 of the company's articles of association Mr A T Newman retires as a director and, being eligible, offers himself for re-election.

In accordance with the provisions of article 86 of the company's articles of association Mr D L Dworkin retires as a director and, being eligible, offers himself for re-election.

Tangible assets

The directors are of the opinion that the value of the group's properties at 31 March 1990 is not less than the amount stated in the accounts.

Auditors

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

Taxation status

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

DIRECTORS' REPORT continued

Directors' Interests

The interests of directors who are also directors of Storehouse PLC are shown in the accounts of that company. The interests of directors who were not also directors of Storehouse PLC at 31 March 1990 in the shares and stock of Storehouse PLC, being the company's holding company, were as follows:

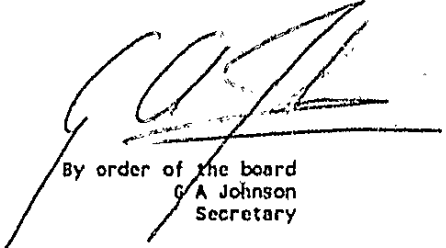
Beneficial interest	Ordinary shares		9% Convertible loan stock		Ordinary shares under option*	
	1990 Shares	1989 Shares	1990 £	1989 £	1990 Shares	1989 Shares
C G Coles	-	-	-	-	128,295	63,526
A T Newman	2,701	2,701	142	142	88,277	67,309

* Options granted under the Storehouse Executive Share Option Scheme, the Storehouse Sharesave Scheme and 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 shares and stock of Storehouse PLC from 30 March 1990 to 30 May 1990.

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

London, 30 May 1990


By order of the board
G A Johnson
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 52 weeks to 31 March 1990 (Note 1)

		GROUP	
	Note	1990 £000	1989 £000
<u>Turnover</u> (including value added tax)		684,011	635,795
Value added tax		(71,005)	(67,168)
<u>Turnover</u> (excluding value added tax)		613,006	568,627
Cost of sales		(582,640)	(523,679)
<u>Gross profit</u>		30,366	44,948
Administrative expenses		(20,409)	(16,788)
<u>Trading profit</u>	2	9,957	28,160
Share of profit of related company		1,799	11,355
Net interest payable	4	(1,707)	(2,029)
<u>Profit on ordinary activities before exceptional items</u>		10,049	37,486
Exceptional items	5	(32,708)	(17,713)
<u>Profit/(loss) on ordinary activities before taxation</u>		(22,659)	19,773
Tax (charge)/credit on profit/(loss) on ordinary activities	6	1,233	(5,803)
<u>Profit/(loss) on ordinary activities after taxation and before extraordinary items</u>		(21,426)	13,970
Extraordinary items	7	7,250	52,647
<u>Profit/(loss) for the financial year</u>		(14,176)	66,617
Dividends	8	(76,635)	(67,526)
<u>Transfer (from) reserves</u>		(90,811)	(909)

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

The notes on pages 7 to 16 form part of these accounts.

BALANCE SHEETS
at 31 March 1990 (Note 1)

PARENT			GROUP		
1989	1990		Note	1990	1989
£000	£000			£000	£000
185,868	168,865	FIXED ASSETS			
<u>6,349</u>	<u>31,952</u>	Tangible assets	9	176,532	193,431
		Investments	11	<u>26,770</u>	<u>-</u>
192,217	200,817			203,302	193,431
		CURRENT ASSETS			
66,942	60,030	Stocks		61,969	69,578
113,232	79,605	Debtors	15	79,055	113,007
<u>20,875</u>	<u>12,588</u>	Cash at bank and in hand		<u>28,853</u>	<u>34,373</u>
201,049	152,223			169,877	216,958
<u>136,259</u>	<u>199,688</u>	CREDITORS: amounts falling due within one year	16	<u>200,185</u>	<u>136,819</u>
<u>64,790</u>	<u>(47,465)</u>	NET CURRENT (LIABILITIES)/ASSETS		<u>(30,308)</u>	<u>80,139</u>
257,007	153,352	TOTAL ASSETS LESS CURRENT LIABILITIES		172,994	273,570
		CREDITORS: amounts falling due after more than one year			
26,741	23,867	Loan capital	17	23,867	26,741
-	-	Corporation tax	6	115	110
1,227	373	Accruals		373	1,227
<u>14,550</u>	<u>8,644</u>	PROVISION FOR LIABILITIES AND CHARGES	18	<u>8,809</u>	<u>14,855</u>
<u>214,489</u>	<u>120,468</u>			<u>139,830</u>	<u>230,637</u>
		CAPITAL AND RESERVES			
53,632	53,633	Called up share capital	19	53,633	53,632
13,091	13,094	Share premium account	20	13,094	13,091
147,766	53,741	Profit and loss account	20	73,103	163,914
		D L DWORKIN			
		C G COLES			
		Directors			
		Approved 30 May 1990			
<u>214,489</u>	<u>120,468</u>			<u>139,830</u>	<u>230,637</u>

The notes on pages 7 to 16 form part of these accounts.

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
for the 52 weeks to 31 March 1990 (Note 1)

	1990 £000	1989 £000
<u>Source of funds</u>		
Generated from operations		
Profit/(loss) on ordinary activities before taxation	(22,659)	19,773
Depreciation	21,990	24,004
Exceptional asset write-offs and provisions	22,230	7,383
Share of profit of related company	(1,799)	(11,355)
	19,762	39,805
Other sources		
Share capital	4	352
Disposal of tangible assets	69	248
Sale of tangible assets to group companies	360	12,151
Disposal of related company	-	119,316
	433	132,067
	20,195	171,872
<u>Application of funds</u>		
Capital expenditure - tangible assets	28,818	61,994
Investment in related company	25,603	-
Dividends	76,635	67,526
Corporation tax	3,231	33,404
Redemption of mortgage debenture stock	215	168
Exceptional item costs	416	-
	134,918	163,092
	(114,723)	8,780
<u>Working capital changes</u>		
(Decrease) in stocks	(7,609)	(8,335)
(Decrease)/increase in debtors	(14,264)	23,860
(Increase)/decrease in creditors	(11,939)	913
	(33,812)	16,438
(Decrease)/increase in net liquid funds	(56,462)	7,126
(Decrease) in intra-group balances	(24,449)	(14,784)
	(114,723)	8,700

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

The notes on pages 7 to 16 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Accounting policies

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

- i. Accounting Convention - The accounts have been prepared under the historical cost convention.
- ii. Basis of Consolidation - The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries for the fifty-two weeks to 31 March 1990 (comparative figures are for the fifty-two weeks to 1 April 1989). Under the provisions of the Companies Act 1985 the company is not required to publish its own Profit and Loss Account.
- iii. Related company - The group proportion of the net income of its related company - in which the group holds a 50% interest and over which it exercises significant influence - is included in the consolidated profit and loss account. The investment in this company comprises the cost of acquisition together with the share of post-acquisition reserves.
- iv. Currency translation - All assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date with the exception of non-monetary assets which are translated at the rates of exchange ruling when these were acquired. The results of overseas subsidiaries are translated into sterling at average monthly rates of exchange. All exchange differences are treated as part of the results for the year.
- v. Turnover - The amount reported as turnover represents sales at the group's stores and sales to franchisees.
- vi. Pension costs - The accounting cost for providing pensions is provided over the period during which the company benefits from the services of employees. The cost is calculated so as to produce a substantially level percentage of the current and future pensionable payroll.
- vii. Tangible assets - Tangible assets are stated at cost after deducting depreciation, and include all expenditure of a capital nature. Interest on funding store developments prior to the store opening is capitalised gross.

Depreciation is not provided on freehold buildings where the buildings are regularly maintained to a standard such that any depreciation charge would be insignificant.

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

Freehold buildings - 50 years
Leasehold properties with more than 99 years to run - 100 years,
Leasehold properties with less than 100 years to run - the lease term.
Fixed equipment included in properties - 20 years.
Fixtures, furnishings and equipment - 3 to 10 years depending on the nature of the asset.
- viii. Leased assets - The group's principal leased assets are its properties which qualify for accounting as operating leases under the terms of SSAP 21. Annual rentals are charged directly to the profit and loss account.
- ix. Stocks - Stocks, which consist primarily of goods held for resale, are valued at selling prices less an appropriate margin to reduce them to the lower of cost and net realisable value, except where the actual cost is known.
- x. Deferred taxation - Provision for deferred taxation is made using the liability method. No provision is made where there is reasonable probability that no liability will arise in the foreseeable future.

2. Trading profit

1990	1989
£000	£000

The trading profit of £9,957,000 (1989 £28,160,000) is stated after charging:

Auditors' remuneration	54	53
Hire of equipment	470	763
Rent of properties	43,846	39,833
Depreciation and amortisation	21,990	24,004

NOTES TO THE ACCOUNTS

3. Directors and employees

1990	1989
£000	£000

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

Emoluments, including pension contributions and benefits	599	666
Payments for directors on relinquishing office	569	166

	<u>1,168</u>	<u>832</u>
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The emoluments of the directors of the company, excluding pension contributions, were as follows:

£	£
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Chairman - Mr D L Dworkin	129,296	-
- Mr F H W Lister	-	94,609

Highest paid director	-	113,368
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Other directors in emolument scales

Number	Number
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Nil	2	6
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-
£40,001 - £45,000	1	1
£45,001 - £50,000	2	3
£50,001 - £55,000	2	-
£55,001 - £60,000	-	1
£60,001 - £65,000	-	1
£65,001 - £70,000	-	-
£70,001 - £75,000	1	-

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

£30,001 - £35,000	35	33
£35,001 - £40,000	27	26
£40,001 - £45,000	10	11
£45,001 - £50,000	9	2
£50,001 - £55,000	3	6
£55,001 - £60,000	2	-
£60,001 - £65,000	1	1
£65,001 - £70,000	1	-

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

UK Stores - Full-time	4,869	5,043
- Part-time	10,561	10,482
UK Head Office	778	1,039
Overseas	<u>382</u>	<u>406</u>

	<u>16,590</u>	<u>16,970</u>
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Staff costs during the year amounted to:

£000	£000
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Wages and salaries	71,642	67,923
Social security costs	4,072	4,080
Accounting cost for pensions	<u>3,897</u>	<u>3,905</u>

	<u>79,611</u>	<u>75,908</u>
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NOTES TO THE ACCOUNTS

	1990 £000	1989 £000
4. <u>Net interest payable</u>		
Interest payable:		
On loans repayable after five years	(105)	(203)
On loans repayable within five years	(88)	-
On bank and other loans and overdrafts	<u>(7,795)</u>	<u>(1,389)</u>
	(7,988)	(1,592)
	<u>(2,127)</u>	<u>(2,136)</u>
On loan stock from holding company (note 17)	(10,115)	(3,728)
	<u>8,408</u>	<u>1,699</u>
Interest receivable	<u>(1,707)</u>	<u>(2,029)</u>

5. Exceptional item

Asset write-offs and costs associated with new stock control policies, cost reductions and exploitation of space.	8,879	17,713
Asset write-offs in respect of properties disposed to Oppidan Estates Ltd	<u>23,829</u>	-
	<u>32,708</u>	<u>17,713</u>

6. Taxation

Current:		
United Kingdom	(1,559)	7,363
Corporation tax at 35%	544	3,822
Related company	<u>616</u>	<u>217</u>
Overseas	(399)	11,402
Deferred:		
United Kingdom	<u>3,127</u>	<u>(3,224)</u>
Parent company	88	(30)
Related company	<u>(162)</u>	<u>(104)</u>
Overseas	<u>3,053</u>	<u>(3,358)</u>
	2,654	8,044
	<u>(3,887)</u>	<u>(2,241)</u>
Adjustments to provision for earlier periods	<u>(1,233)</u>	<u>5,803</u>

The taxation charge/(credit) for 1990 would have been £(6,998,000) (1989 £6,025,000) had full provision been made for deferred taxation.

United Kingdom corporation tax of £1,559,000 is repayable on 1 January 1991 and is included with other tax liabilities in creditors due within one year (1989 - £7,363,000 payable on 1 February 1990). Overseas tax of £115,000 is payable on 1 January 1992 and is included in creditors due after more than one year (1989 - £110,000) payable on 1 January 1991.

7. Extraordinary items

Disposal of interest in Savacentre Ltd	-	59,897
Taxation (provided)/released	<u>7,250</u>	<u>(7,250)</u>
Net profit	<u>7,250</u>	<u>52,647</u>

NOTES TO THE ACCOUNTS

8. <u>Dividends</u>	1990 £000	1989 £000
Preference dividends	26	26
Ordinary dividends:		
Interim, paid	46,609	37,500
Final, proposed	<u>30,000</u>	<u>30,000</u>
	<u>76,635</u>	<u>67,526</u>

9. Tangible assets

The net book value of leaseholds at 31 March 1990 in respect of leases with less than fifty years to run is £18,958,000 (1989 - £19,854,000) in the case of the group and £18,346,000 (1989 - £19,526,000) in the case of the company.

Additions for the group and for the company include Nil (1989 £39,000) in respect of capitalised interest.

	Properties including fixed equipment		Fixtures, furnishing and equipment £000	Assets under construction £000	Total £000
<u>Group</u>	Freehold £000	Leasehold £000			
<u>Gross book value at cost</u>					
At 1 April 1989	8,634	125,296	159,945	3,098	296,973
Transfers	12	2,956	-	(2,968)	-
Additions	219	12,632	15,962	5	28,818
Disposals	<u>(2,956)</u>	<u>(30,230)</u>	<u>(7,746)</u>	-	<u>(40,932)</u>
At 31 March 1990	<u>5,909</u>	<u>110,654</u>	<u>168,161</u>	<u>135</u>	<u>284,859</u>
<u>Depreciation and amortisation</u>					
At 1 April 1989	862	31,014	71,666	-	103,542
Provided	58	3,494	18,438	-	21,990
Disposals	<u>(385)</u>	<u>(10,505)</u>	<u>(6,315)</u>	-	<u>(17,205)</u>
At 31 March 1990	<u>535</u>	<u>24,003</u>	<u>83,789</u>	-	<u>108,327</u>
<u>Net book values</u>					
At 31 March 1990	<u>5,374</u>	<u>86,651</u>	<u>84,372</u>	<u>135</u>	<u>176,532</u>
At 1 April 1989	<u>7,772</u>	<u>94,282</u>	<u>88,279</u>	<u>3,098</u>	<u>193,431</u>

NOTES TO THE ACCOUNTS

9. Tangible assets (continued)

<u>Parent</u>	Properties including fixed equipment		Fixtures, furnishing and equipment £000	Assets under construction £000	Total £000
	Freehold £000	Leasehold £000			
<u>Gross book value at cost</u>					
At 1 April 1990	3,172	124,843	156,123	2,898	287,036
Transfers	1	2,	-	(2,768)	-
Additions	233	12,343	15,612	5	28,193
Disposals	(2,956)	(30,230)	(7,682)	-	(40,868)
At 31 March 1990	<u>450</u>	<u>109,723</u>	<u>164,053</u>	<u>135</u>	<u>274,361</u>
<u>Depreciation and amortisation</u>					
At 1 April 1989	415	30,795	69,958	-	101,168
Provided	4	3,462	18,016	-	21,482
Disposals	(385)	(10,505)	(6,264)	-	(17,154)
At 31 March 1990	<u>34</u>	<u>23,752</u>	<u>81,710</u>	<u>-</u>	<u>105,496</u>
<u>Net book values</u>					
At 31 March 1990	<u>416</u>	<u>85,971</u>	<u>82,343</u>	<u>135</u>	<u>168,865</u>
At 1 April 1989	<u>2,757</u>	<u>94,048</u>	<u>86,165</u>	<u>2,898</u>	<u>185,868</u>

10. Capital commitments

	1990 £000	1989 £000
Commitments for future capital expenditure are estimated as follows:		
Contracted for but not provided in the accounts - Parent company	1,351	16,589
- Subsidiaries	-	166
Authorised by the directors but not contracted - Parent company	416	9,949
- Subsidiaries	-	248
	<u>1,767</u>	<u>26,952</u>

11. Investments

	Parent		Group	
	1990 £000	1989 £000	1990 £000	1989 £000
Group companies (note 12)	6,349	6,349	-	-
Related company (note 13)	25,603	-	26,770	-
Other investments (note 14)	-	-	-	-
	<u>31,952</u>	<u>6,349</u>	<u>26,770</u>	<u>-</u>

NOTES TO THE ACCOUNTS

12. Group companies

	Shares in group companies £000	Loans to group companies £000	Total £000
Cost At 1 April 1989 and 31 March 1990	<u>1,810</u>	<u>4,539</u>	<u>6,349</u>

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

Trading companies	Non-trading companies
BHS (Jersey) Limited (incorporated in Jersey)	BHS Pension Trustee Limited
BHS (Dublin) Limited (incorporated in Republic of Ireland)	BHS (Wholesale) Limited
Prova Investments (Ireland) Limited (incorporated in Republic of Ireland)	BHS Retail Limited
Henry's Basement Limited	British Home Stores Limited
	Irish Home Stores Limited (incorporated in Republic of Ireland)
	Scottish Home Stores Limited

13. Related company

During the year the company subscribed for and now holds 49,998 'A' Ordinary shares of 10p each, being 50% of the Ordinary share capital of Oppidan Estates Ltd. This company's main activity is property development and property investment in the UK.

Also during the year the company advanced £10m to Oppidan Estates Ltd in the form of Subordinated loans, these loans do not bear interest and are repayable on demand. The loans are subordinated to the obligations of Oppidan Estates Ltd as borrower and as guarantor for its subsidiary companies under the terms of a syndicated revolving credit facility.

The investment in related company comprises:

	Shares in related company £000	Loans to related company £000	Parent Total £000	Share of retained profits £000	Group Total £000
Cost or amount under equity method of accounting					
Investment during year	15,603	10,000	25,603	-	25,603
Group share of the retained profit for the period to 31 December 1989	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,167</u>	<u>1,167</u>
At 31 March 1990	<u>15,603</u>	<u>10,000</u>	<u>25,603</u>	<u>1,167</u>	<u>26,770</u>

The share of retained profits amounting to £1,167,000 represents the group share of the post-tax profits of Oppidan Estates Ltd based on its audited accounts for the period ended 31 December 1989.

The turnover of the related company in its first period of trading was £19,554,000 and represents income from properties, property sales and the increase in valuation during the year of work on long term developments.

The assets and liabilities of Oppidan Estates Ltd as shown in its audited accounts at 31 December 1989 are as follows:

	1989 £000
Tangible assets	57,624
Current assets	21,421
Current liabilities	(27,399)
Provisions	<u>(176)</u>
Capital and reserves	<u>51,470</u>

NOTES TO THE ACCOUNTS

14. Other investments

	Cost	Provision	Net book value
	£000	£000	£000
At 1 April 1989	413	413	-
Disposals during the year	(400)	(400)	-
At 31 March 1990	<u>13</u>	<u>13</u>	<u>-</u>

During the year the group disposed of its interest in the capital of DISC International Limited.

15. Debtors

	Parent		Group	
	1990	1989	1990	1989
	£000	£000	£000	£000
Due within one year:				
Trade debtors	6,248	7,062	6,342	7,189
Amounts owed by subsidiary companies	1,538	1,565	-	-
Amounts owed by holding and fellow subsidiary companies	3,768	12,876	3,769	12,876
Redeemable loan notes	4,000	26,151	4,000	26,151
Other debtors	5,137	3,614	5,660	3,952
Prepayments and accrued income	<u>4,215</u>	<u>3,869</u>	<u>4,530</u>	<u>4,696</u>
	24,906	55,137	24,301	54,864
Due after more than one year:				
Amount owed by holding company	48,200	55,983	48,200	55,983
Other debtors	<u>6,499</u>	<u>2,112</u>	<u>6,554</u>	<u>2,160</u>
	<u>79,605</u>	<u>113,232</u>	<u>79,055</u>	<u>113,007</u>

16. Creditors: amounts falling due within one year

	Parent		Group	
	1990	1989	1990	1989
	£000	£000	£000	£000
Mortgage debenture stock (note 17)	2,771	112	2,771	112
Bank overdraft	50,942	-	50,942	-
Trade creditors	26,387	24,290	26,466	24,556
Amounts owed to subsidiary companies	709	335	-	-
Amounts owed to holding and fellow subsidiary companies	46,042	37,338	46,083	37,338
Taxation and social security	18,299	24,594	18,949	24,886
Other creditors	80	93	100	108
Accruals	24,458	19,497	24,874	19,819
Proposed dividend	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
	<u>199,688</u>	<u>136,259</u>	<u>200,185</u>	<u>136,819</u>

NOTES TO THE ACCOUNTS

17. Loan capital

	Outstanding at 1 April 1989 £000	Redeemed £000	Outstanding at 31 March 1990 £000
Secured			
5% Mortgage debenture stock 1989/94	577	-	577
6% Mortgage debenture stock 1989/94	953	175	778
7% Mortgage debenture stock 1994/98	<u>1,456</u>	<u>40</u>	<u>1,416</u>
Less amount included in creditors falling due within one year	2,986	215	2,771
	<u>112</u>	<u>-</u>	<u>2,771</u>
Unsecured - amount owed to holding company	2,874	215	-
9% Convertible unsecured loan stock 1992	<u>23,867</u>	<u>-</u>	<u>23,867</u>
	<u>26,741</u>	<u>215</u>	<u>23,867</u>

The debenture stocks are secured by a fixed charge on certain specific properties and a floating charge on the general assets of the company.

As stated in the Directors report, all of the mortgage debenture stock of £2,771,000 will be redeemed at par, with accrued interest, on 19 June 1990.

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

18. Provision for liabilities and charges

	1990 £000	Parent 1989 £000	1990 £000	Group 1989 £000
Provision for pensions	3,000	3,300	3,000	3,300
Amount released to profit and loss account during the year £300,000				
Provision for replacement of store fixtures	2,366	3,850	2,366	3,850
Movement represents disposals of fixtures during the year				
Deferred taxation	<u>3,278</u>	<u>7,400</u>	<u>3,443</u>	<u>7,705</u>
	<u>8,644</u>	<u>14,550</u>	<u>8,809</u>	<u>14,855</u>

Deferred taxation

	Parent 1990 £000	Group 1990 £000
At 1 April 1989		
Transfer from profit and loss account - ordinary timing differences	7,400	7,705
- extraordinary timing differences	3,128	2,988
	<u>(7,250)</u>	<u>(7,250)</u>
At 31 March 1990	<u>3,278</u>	<u>3,443</u>

The deferred taxation provision comprises:

	Parent 1990 £000	1989 £000	Group 1990 £000	1989 £000
Provision in respect of:				
Capital allowances	5,250	4,760	5,396	4,945
Other timing differences	<u>(1,972)</u>	<u>2,640</u>	<u>(1,953)</u>	<u>2,760</u>
	3,278	7,400	3,443	7,705
The further potential liability is:				
Capital allowances	<u>12,082</u>	<u>20,313</u>	<u>12,082</u>	<u>20,313</u>
	<u>15,360</u>	<u>27,713</u>	<u>15,525</u>	<u>28,018</u>

NOTES TO THE ACCOUNTS

19. Called up share capital

	<u>Authorised</u>	<u>Issued and fully paid</u>	
		1990	1989
	£000	£000	£000
Ordinary shares at 25p each	60,000	53,233	53,232
7% Cumulative preference stock (4.9% plus tax credit)	<u>400</u>	<u>400</u>	<u>400</u>
	<u>60,400</u>	<u>53,633</u>	<u>53,632</u>

SHARE ISSUES

Shares have been issued during the year as follows:

	Number	Nominal Value £	Consideration £
For cash:			
The BHS Savings-Related Share Option Scheme	<u>2,709</u>	<u>677</u>	<u>3,360</u>

SHARE OPTIONS

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

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

	Ordinary shares		Dates normally exercisable	Option price per share
	1990	1989		
The BHS Savings-Related Share	35,594	42,951	October 1990/March 1991	185.18p
	48,301	71,618	October 1991/March 1992	169.00p
	32,836	52,281	October 1990/March 1991	251.00p
	23,017	36,331	October 1992/March 1993	251.00p
	56,507	105,538	October 1991/March 1992	284.00p
	20,427	61,209	October 1993/March 1994	284.00p

20. Reserves

	Parent £000	Group £000
Share premium account		
At 1 April 1989	13,091	13,091
Arising on share issues during the year	<u>3</u>	<u>3</u>
At 31 March 1990	<u>13,094</u>	<u>13,094</u>
Profit and loss account		
At 1 April 1989	147,766	163,914
(Loss) for the year	(17,390)	(14,176)
Dividends	<u>(76,635)</u>	<u>(76,635)</u>
At 31 March 1990	<u>53,741</u>	<u>73,103</u>

Total reserves of £66,835,000 (1989 £160,857,000) in the parent company include £13,094,000 which is not distributable (1989 £13,091,000).
Total reserves of £86,197,000 (1989 £177,005,000) in the group include £14,261,000 which is not currently distributable (1989 £13,091,000).

21. Leasing commitments

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

	1990 £000	1989 £000
Leases which expire		
• within 1 year	1,328	1,203
• between 2 and 5 years	126	219
• over 5 years	<u>41,405</u>	<u>44,015</u>
	<u>42,859</u>	<u>45,437</u>

NOTES TO THE ACCOUNTS

22. Pension costs

BHS operates defined benefit pension schemes, the funds of which are administered by trustees.

Actuarial valuations on an on-going basis are prepared every three years and contributions made in accordance with the actuaries' recommendations principally using the new-entrant method. The latest valuation was prepared at 5 April 1988 which disclosed a surplus over past service liabilities which is being utilised to improve members' benefits and to reduce the company charge for pension contributions. The principal assumptions used by the actuaries were that the average long term growth in dividends would be 4% p.a. and escalation in revenue costs would be broadly in line with inflation and that the average long term return on assets would exceed that by 1%.

The amount charged to the profit and loss account in respect of these charges is shown in Note 3.

The total pension cost for the company includes a credit of £300,000 (1989 £300,000) in respect of the amortisation of pension surpluses arising in prior years which are now being allocated over the remaining service lives of current scheme employees.

23. Holding company

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

REPORT OF THE AUDITORS

To the members of BHS plc

We have audited the accounts on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 March 1990 and of the profit and source and application of funds of the group for the period to that date, and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen & Co.
Arthur Andersen & Co.
Chartered Accountants

London, 30 May 1990