

DIRECTORS' REPORT

The directors submit their report on the accounts for the fifty-three weeks to 4 April 1987.

Review of the business

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

Sales for the year of £629.4m were 2.1 per cent lower than last year, but excluding food, which was withdrawn during the year, were 7.8% higher than last year. The profit on ordinary activities before taxation of £81.0m showed an increase of 15.3 per cent. The charge for taxation of £28.1m represents 34.7 per cent of profits compared with 36.1 per cent for the previous year. The profit for the year after taxation was £52.9m.

During the year the withdrawal from food retailing was completed and, in the second half, space previously occupied by food was used for higher margin clothing and housewares.

Our strategy is to improve sales densities by providing better and more focused ranges of products and by making the best possible use of trading space. BHS is working with the Conran Design Group on an intensive product development programme in all departments, concentrating on the BHS brand name. This is a continuing process although many of the changes will show through in this Autumn's merchandise.

Last September the "Exclamations" project revitalised the interiors of all stores which together with a new corporate identity and name style signalled the changes taking place in BHS. These changes allow a better presentation of the vastly improved product ranges coming into the group.

During the year 16 stores were refurbished including Lincoln which was extended and a new store opened at the Metrocentre, Gateshead, as well as a lighting shop at Oxford. During the coming year BHS plans to complete the store refurbishment programme, open new stores in Harrow and Mansfield and extend Perth and Lowestoft. The major refurbishment and extension of the flagship store in Oxford Street will also be completed by the end of July this year.

The venture into overseas outlets continues to develop well. We already have franchises in Gibraltar and three in the Gulf States. A new franchise for the six Hong Kong stores of Dodwell Stores, a subsidiary of Inchcape PLC, will open this Autumn and three more franchises are planned in the Gulf States.

Dividends

Dividends on the preference stocks have been paid at a net cost of £20,000. An interim ordinary dividend of £25,000 has been paid.

The directors recommend a final dividend of £90,000,000. The total ordinary dividend will absorb £90.0m of the profit after taxation. After the payment of dividends, the amount withdrawn from reserves is £37.1m.

Share capital

During the year 796,343 shares were issued on exercising of share options. Details of the issues and of outstanding options are given in note 19 on page 14.

During the year Storehouse PLC, the company's holding company, completed the acquisition of all ordinary shares in the company. Storehouse also acquired all preference shares in the company.

Employee Involvement

BHS has made some important advances this year in the field of employee consultation and communication.

We introduced a structure of eight Regional Staff Consultative Councils with elected representatives from each Store. The Councils represent a natural extension to the well established structure of Store Staff Committees.

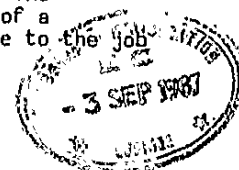
We also introduced a new, revitalised house magazine under the title "Storetalk".

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 £97,000.



DIRECTORS' REPORT continued

Directors

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

D.P. Cassidy	Chairman
F.H.W. Lister	
C.B. Williams	
P. Diamond	Appointed 1 April 1986
J.R. Hobson	Appointed 1 April 1986
N. McArthur	
Sir Terence Conran	
T.P. Goddard	Appointed 6 April 1987
K.P. Jones	Appointed 6 April 1987
R.A. Nethercott	Appointed 1 April 1986
J.F. Power	
J.S. Stephenson	Appointed 6 April 1987

Mr. C.J. Kerr retired from the Board on 28 November 1986. Sir Maurice Hodgson, Sir Harold Atcherley and The Rt. Hon. The Earl of Lisburne retired from the Board on 31 March 1987. Mr. D.P. Cassidy was appointed Chairman of the Board as from 1 April 1987.

In accordance with the provisions of article 107 of the company's articles of association Mr. F.H.W. Lister, Mr. N. McArthur and Mr. C.B. Williams retire as directors and, being eligible, offer themselves for re-election.

In accordance with the provisions of article 86 of the company's articles of association Mr. T.P. Goddard, Mr. K.P. Jones and Mr. J.S. Stephenson retire as directors and, being eligible, offer themselves for re-election.

Directors' interests

The interests of directors who are also directors of Storehouse PLC are shown in the accounts of that company. The interests of directors who were not also directors of Storehouse PLC at 4 April 1987 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*	
	1987 Shares	1986 Shares	1987 £	1986 £	1987 £	1986 £
P. Diamond		336			67,789	19,295**
J.R. Hobson	1,196	860**			69,053	3,236**
N. McArthur	2,277	1,694			79,707	3,478
R.A. Nethercott	1,654	1,318**	61	61**	65,042	1,548**

* Options granted under the Storehouse Executive Share Option Scheme, The BHS Savings-Related Share Option Scheme and, for 1986, the BHS Share Option Scheme.
 ** Interests on date of appointment.

No director held any mortgage debenture stock in the company during the year. There have been no changes in the directors' interests in the shares and stock of Storehouse PLC from 4 April 1987 to 1 June 1987.

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

London, 1 June 1987

Tangible assets

An independent valuation on an open market for existing use basis of the group's freehold and leasehold properties in the United Kingdom and Channel Islands, with the exception of two stores which the company was in the course of selling, was carried out as at 31 March 1985. This valuation amounted to £156.6m and, with appropriate adjustments for outstanding building works and other group properties, represented a surplus over the book value of £18.4m which was not taken into the accounts. The directors are of the opinion that the value of the group's properties at 4 April 1987 is not less than the amount stated in the accounts.

Auditors

Peat, Marwick, Mitchell & Co. resigned as the company's auditors during the year and subsequently Arthur Andersen & Co. accepted appointment as the company's 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.

By order of the board
 G.A. Johnson
 Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the 53 weeks to 4 April 1987 (Note 1)

		GROUP	
	Note	1987 £000	1986 £000
Turnover (including value added tax)		629,350	642,847
Value added tax		<u>66,070</u>	<u>61,918</u>
Turnover (excluding value added tax)		563,280	580,929
Cost of sales		<u>478,357</u>	<u>508,283</u>
Gross profit		84,923	72,646
Administrative expenses		<u>14,282</u>	<u>12,837</u>
Trading profit	2	70,641	59,809
Net profit on disposal of properties		3,278	5,429
Share of profit of related company		8,474	6,314
Net interest payable	4	(257)	(122)
Contribution to employees share participation schemes		<u>(1,173)</u>	<u>(1,215)</u>
Profit on ordinary activities before taxation		80,963	70,215
Tax on profit on ordinary activities	5	<u>28,061</u>	<u>25,341</u>
Profit on ordinary activities after taxation and before extraordinary item		52,902	44,874
Extraordinary item	6	<u>-</u>	<u>18,350</u>
Profit for the financial year		52,902	26,524
Dividends	7	<u>90,045</u>	<u>34,235</u>
Transfer from reserves		<u>(37,143)</u>	<u>(7,711)</u>
Statement of retained profits			
Balance at beginning of year		162,301	169,720
Transfer from reserves		(37,143)	(7,711)
Transfer from revaluation reserve		85	292
Transfer from other reserves		<u>3,861</u>	<u>-</u>
Balance at end of year		<u>129,104</u>	<u>162,301</u>

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

BALANCE SHEETS
at 4 April 1987 (Note 1)

PARENT			GROUP		
1986 £000	1987 £000		Note	1987 £000	1986 £000
		FIXED ASSETS			
225,091	267,888	Tangible assets	8	275,600	232,774
<u>34,402</u>	<u>22,691</u>	Investments	10	<u>32,794</u>	<u>38,698</u>
259,493	290,579			308,394	271,472
		CURRENT ASSETS			
65,231	68,819	Stocks		70,519	66,705
15,121	15,224	Debtors	14	15,509	15,516
<u>34,260</u>	<u>21,392</u>	Cash at bank and in hand		<u>27,517</u>	<u>39,262</u>
114,612	105,435			113,545	121,483
107,801	133,713	CREDITORS: amounts falling due within one year	15	<u>132,493</u>	<u>106,701</u>
<u>6,811</u>	<u>(28,278)</u>	NET CURRENT (LIABILITIES)/ASSETS		<u>(18,948)</u>	<u>14,782</u>
266,304	262,301	TOTAL ASSETS LESS CURRENT LIABILITIES		289,446	286,254
		CREDITORS: amounts falling due after more than one year			
-	60,000	Amount owed to holding company	16	60,000	-
27,078	26,946	Loan capital	17	26,946	27,078
15,526	-	Corporation tax	5	213	15,745
9,704	4,275	PROVISION FOR LIABILITIES AND CHARGES	18	4,766	10,245
<u>213,996</u>	<u>171,080</u>			<u>197,521</u>	<u>233,186</u>
		CAPITAL AND RESERVES			
53,356	53,556	Called up share capital	19	53,556	53,356
11,497	12,775	Share premium account	20	12,775	11,497
2,171	2,086	Revaluation reserve	20	2,086	2,171
-	-	Other reserves	20	-	3,861
146,972	102,663	Profit and loss account	20	129,104	162,301

D.P. Cassidy
P. Diamond

D.P. CASSIDY
P. DIAMOND

Directors

Approved 1 June 1987

213,996 171,080

197,521 233,186

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



CONSOLIDATED SOURCE AND APPLICATION OF FUNDS
for the 53 weeks to 4 April 1987 (Note 1)

	1987 £000	1986 £000
Source of funds		
Generated from operations		
Profit on ordinary activities before taxation	80,963	70,215
Depreciation	18,160	17,210
Profit on disposal of properties	(3,278)	(5,429)
Amount provided against investment	-	200
Share of profit of related company	(8,474)	(6,314)
	87,371	75,882
Other sources		
Share capital	1,478	7,436
Disposal of tangible assets	631	7,556
Sale and leaseback of properties	4,731	10,100
Loan repayment from related company	11,500	-
	18,340	25,092
	105,711	100,974
Application of funds		
Capital expenditure - tangible assets	63,070	60,296
Investments	-	3,000
Dividends	30,055	14,624
Corporation tax	18,310	19,971
Redemption of mortgage debenture stock	132	112
Extraordinary item costs	9,200	-
	120,767	98,003
	(15,056)	2,971
Working capital changes		
Increase in stocks	3,814	6,111
(Decrease)/increase in debtors	(7)	5,914
Increase in creditors	(14,044)	(6,545)
	(10,237)	5,480
Decrease in net liquid funds	(4,819)	(2,509)
	(15,056)	2,971

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

NOTES TO THE ACCOUNTS

1. Accounting policies

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

- i. **Accounting Convention** The accounts are prepared on the basis of the historical cost convention, modified to include certain properties at a valuation made in 1960.
- ii. **Basis of Consolidation** The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries for the fifty-three weeks to 4 April 1987 (comparative figures are for the fifty-two weeks to 29 March 1986). Under the provisions of the Companies Act 1985 the company is not required to publish its own Profit and Loss Account.
- iii. **Related company** The group proportion of the net income of its related company - in which the group has a 50% interest and over which it exercises significant control - is included in the consolidated profit and loss account. The investment in this company represents the group proportion of its net assets.
- iv. **Currency translation** All assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date with the exception of non-monetary assets which are translated at the rates of exchange ruling when these were acquired. The results of overseas subsidiaries are translated into sterling at average monthly rates of exchange. All exchange differences are treated as part of the results for the year.
- v. **Turnover** The amount reported as turnover represents sales at the group's stores and sales to franchisees.
- vi. **Tangible assets** Tangible assets are stated at cost or valuation after deducting depreciation, and include all expenditure of a capital nature. Interest on funding store developments prior to the store opening is capitalised gross.

In view of the continuing programme of building maintenance, freehold properties are only depreciated if, in the directors' opinion, a diminution in the cost or valuation will occur over the remaining useful life of the property.

Depreciation is provided on all other tangible assets at rates calculated to write off the cost or valuation of each asset, less estimated residual value, evenly over their expected useful lives, which are primarily as follows:

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

2. Trading profit

The trading profit of £70,641,000 (1986 £59,809,000) is stated after charging:

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

	1987 £000	1986 £000
	47	54
	802	747
	15,850	13,039
	18,160	17,210

NOTES TO THE ACCOUNTS

3. Directors and employees

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

	1987 £000	1986 £000
Fees for services as directors	21	20
Other emoluments, including pension contributions and benefits	802	508
Ex-gratia payments on retirement of directors	36	-
	<u>859</u>	<u>608</u>

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

	£	£
Chairman - Sir Maurice Hodgson	79,158	74,495
Highest paid director	121,930	106,462
Others in emolument scales	Number	Number
Nil		
£5,001 - £10,000	1	1
£10,001 - £15,000	-	2
£25,001 - £30,000	2	-
£45,001 - £50,000	1	-
£50,001 - £55,000	1	-
£60,001 - £65,000	2	-
£65,001 - £70,000	-	3
£80,001 - £85,000	1	1
£95,001 - £100,000	2	-
£100,001 - £105,000	-	1
	1	-

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

£30,001 - £35,000		
£35,001 - £40,000	9	11
£40,001 - £45,000	7	5
£45,001 - £50,000	5	1
£50,001 - £55,000	-	2
	1	-

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

UK Stores - Full-time	6,463	7,284
- Part-time	12,535	14,026
UK Head Office	1,363	1,650
Overseas	414	468
	<u>20,775</u>	<u>23,428</u>

Staff costs during the year amounted to:

	£000	£000
Wages and salaries	68,216	72,218
Social security costs	3,866	4,615
Contribution to pension funds	5,585	4,587
	<u>75,667</u>	<u>81,420</u>

NOTES TO THE ACCOUNTS

4. Net interest payable	1987 £000	1986 £000
Interest payable:		
On loans repayable after five years	(219)	(2,040)
On bank and other loans and overdrafts	(31)	(1,092)
On loan stock from holding company since 31 January 1986 (note 17)	(250)	(3,140)
	(2,183)	(350)
Interest receivable	(2,433)	(3,490)
	2,176	3,368
	(257)	(122)

5. Taxation

Current:		
United Kingdom		
Corporation tax at 35% (1986 - 40%)	20,994	21,789
Related company	2,895	2,849
Overseas	672	419
	24,561	25,057
Deferred:		
United Kingdom		
Parent company	3,867	567
Related company	(17)	64
Overseas	8	171
	3,858	802
Adjustments to provision for earlier periods	28,419	25,859
	(358)	(518)
	28,061	25,341

The taxation charge for 1987 would have been £27,120,000 (1986 £26,021,000) had full provision been made for deferred taxation.

United Kingdom corporation tax of £7,850,000 (net of ACT surrendered by holding company) is payable on 1 April 1988 and is included in creditors due within one year (1986 - £15,526,000 payable on 1 April 1987, included in creditors due after more than one year).

6. Extraordinary item

Charges associated with the withdrawal from food, together with the write-off of store fascias and sales-floor equipment consequent upon the implementation of the store refurbishment and development programme

Taxation	-	24,200
	-	(5,850)
	-	18,350

7. Dividends

Preference dividends	20	20
Ordinary dividends:		
Interim, paid	25	4,215
Final, proposed	90,000	30,000
	90,045	34,235

NOTES TO THE ACCOUNTS

8. Tangible assets

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

Reference is made in the Directors' Report to the independent valuation of the group's properties at 31 March 1985. This valuation produced a surplus of £18.4 million which was not taken into the accounts.

The net book value of leaseholds at 4 April 1987 in respect of leases with less than fifty years to run is £18,627,000 (1986 - £9,957,000) in the case of the group and £18,491,000 (1986 - £9,809,000) in the case of the company.

Additions for the group and for the company include £222,000 (1986 £148,000) in respect of capitalised interest.

Group	Properties including fixed equipment		Fixtures, furnishing and equipment £000	Assets under construction £000	Total £000
	Freehold £000	Leasehold £000			
<u>Gross book value</u>					
At 30 March 1986					
Cost	35,635	167,357	127,964	1,439	332,395
Valuation	<u>-</u>	<u>3,058</u>	<u>-</u>	<u>-</u>	<u>3,058</u>
Total	35,635	170,415	127,964	1,439	335,453
Transfers	-	1,437	2	(1,439)	-
Additions	675	19,417	33,688	9,290	63,070
Disposals	<u>(901)</u>	<u>(785)</u>	<u>(18,219)</u>	<u>-</u>	<u>(19,905)</u>
At 4 April 1987					
Cost	35,409	187,504	143,435	9,290	375,638
Valuation	<u>-</u>	<u>2,980</u>	<u>-</u>	<u>-</u>	<u>2,980</u>
<u>Depreciation and amortisation</u>					
At 30 March 1986	767	27,030	74,882	-	102,679
Provided	187	4,378	13,595	-	18,160
Disposals	<u>(3)</u>	<u>(156)</u>	<u>(17,662)</u>	<u>-</u>	<u>(17,821)</u>
At 4 April 1987	<u>951</u>	<u>31,252</u>	<u>70,815</u>	<u>-</u>	<u>103,018</u>
<u>Net book values</u>					
At 4 April 1987	<u>34,458</u>	<u>159,232</u>	<u>72,620</u>	<u>9,290</u>	<u>275,600</u>
At 30 March 1986	<u>34,868</u>	<u>143,385</u>	<u>53,082</u>	<u>1,439</u>	<u>232,774</u>

NOTES TO THE ACCOUNTS

8. Tangible assets (continued)

8. Tangible assets (continued)	Properties including fixed equipment		Fixtures, furnishing and equipment	Assets under construction	Total
Parent	Freehold £000	Leasehold £000	£000	£000	£000
<u>Gross book value</u>					
At 30 March 1986					
Cost	28,829	167,045	125,731	1,439	323,044
Valuation	<u>-</u>	<u>3,058</u>	<u>-</u>	<u>-</u>	<u>3,058</u>
Total	28,829	170,103	125,731	1,439	326,102
Transfers	-	1,437	2	(1,439)	-
Additions	675	19,343	33,410	9,290	62,718
Disposals	<u>(901)</u>	<u>(785)</u>	<u>(18,047)</u>	<u>-</u>	<u>(19,733)</u>
At 4 April 1987					
Cost	28,603	187,118	141,096	9,290	366,107
Valuation	<u>-</u>	<u>2,980</u>	<u>-</u>	<u>-</u>	<u>2,980</u>
<u>Depreciation and amortisation</u>					
At 30 March 1986	383	26,927	73,701	-	101,011
Provided	142	4,366	13,351	-	17,859
Disposals	<u>(3)</u>	<u>(156)</u>	<u>(17,512)</u>	<u>-</u>	<u>(17,671)</u>
At 4 April 1987	<u>522</u>	<u>31,137</u>	<u>69,540</u>	<u>-</u>	<u>101,199</u>
<u>Net book values</u>					
At 4 April 1987	<u>28,081</u>	<u>158,961</u>	<u>71,556</u>	<u>9,290</u>	<u>267,888</u>
At 30 March 1986	<u>28,446</u>	<u>143,176</u>	<u>52,030</u>	<u>1,439</u>	<u>225,091</u>

9. Capital commitments

	1987 £000	1986 £000
Commitments for future capital expenditure are estimated as follows:		
Contracted for but not provided in the accounts - Parent company	12,460	37,409
Authorised by the directors but not contracted - Parent company	16,706	27,861
	29,166	65,270

10. Investments

	Parent		Group	
	1987 £000	1986 £000	1987 £000	1986 £000
Group companies (note 11)	6,349	6,560	-	-
Related company (note 12)	16,342	27,842	32,794	38,698
Other investments (note 13)	-	-	-	-
	22,691	34,402	32,794	38,698

NOTES TO THE ACCOUNTS

11. Group companies

	Shares in group companies £000	Loans to group companies £000	Total £000
Cost			
At 30 March 1986	2,021	4,539	6,560
Disposals	(211)	-	(211)
At 4 April 1987	<u>1,810</u>	<u>4,539</u>	<u>6,349</u>

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

Trading companies

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

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

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

Non-trading companies

BHS Pension Trustee Limited

British Home Stores (Wholesale) Limited

BHS Retail Limited

BHS Limited

Irish Home Stores Limited
(incorporated in Republic of Ireland)

Scottish Home Stores Limited

12. Related company

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

The investment in related company comprises:

	Shares in related company £000	Loans to related company £000	Parent Total £000	Share of retained profits £000	Group Total £000
Cost or amount under equity method of accounting					
At 30 March 1986	16,342	11,500	27,842	10,856	38,698
Loans repaid	-	(11,500)	(11,500)	-	(11,500)
Group share of the retained profit for the 52 weeks to 14 February 1987	-	-	-	5,596	5,596
At 4 April 1987	<u>16,342</u>	<u>-</u>	<u>16,342</u>	<u>16,452</u>	<u>32,794</u>

The share of retained profits amounting to £5,596,000 represents the group share of the post-tax profits of SavaCentre Limited based on its audited accounts for the fifty-two weeks ended 14 February 1987.

The turnover of the related company, excluding value added tax, amounted to £268,819,000 (1986 - £259,267,000) and the profit is stated after charging depreciation amounting to £4,388,000 (1986 - £4,189,000).

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

	1987 £000	1986 £000
Tangible assets - land and buildings	79,804	68,770
- other	15,780	11,667
Net current assets	13,187	(8,679)
Corporation tax	(10,156)	(5,686)
Loan capital	<u>(33,350)</u>	<u>(12,000)</u>
Capital and reserves	<u>65,265</u>	<u>54,072</u>

NOTES TO THE ACCOUNTS

13. Other investments

	Cost	Provision	Net book value
	£000	£000	£000
At 30 March 1986 and 4 April 1987	<u>400</u>	<u>400</u>	<u>-</u>

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

14. Debtors

	1987 £000	Parent 1986 £000	1987 £000	Group 1986 £000
Due within one year:				
Trade debtors	3,100	3,810	3,128	3,826
Amounts owed by holding and fellow subsidiary companies	813	3,858	813	3,858
Amounts owed by related company	996	1,082	996	1,082
Other debtors	4,943	1,043	4,950	1,241
Prepayments and accrued income	<u>4,203</u>	<u>4,362</u>	<u>4,405</u>	<u>4,495</u>
	14,055	14,155	14,292	14,502
Due after more than one year:				
Other debtors	<u>1,169</u>	<u>966</u>	<u>1,217</u>	<u>1,014</u>
	<u>15,224</u>	<u>15,121</u>	<u>15,509</u>	<u>15,516</u>

Other debtors include loans made to Mr. N. McArthur and Mr. R.A. Nethercott before they became directors of the company. The amount outstanding on the loan to Mr. McArthur has reduced from £10,400 at 30 March 1986 to £9,800 at 4 April 1987. The amount outstanding on the loan to Mr. Nethercott at 4 April 1987 was £5,731.

15. Creditors: amounts falling due within one year

	1987 £000	Parent 1986 £000	1987 £000	Group 1986 £000
Mortgage debenture stock (note 17)	112	112	112	112
Bank overdraft	50	6,976	50	6,976
Trade creditors	16,957	17,606	16,916	17,672
Amounts owed to subsidiary companies	2,085	1,813	-	-
Amounts owed to holding and fellow subsidiary companies	15,154	-	15,154	-
Amounts owed to related company	11,880	7,200	11,880	7,200
Taxation and social security (note 5)	32,335	30,490	33,074	31,001
Other creditors	8,280	4,366	8,325	4,397
Accruals	16,860	9,228	16,982	9,333
Proposed dividend (note 16)	<u>30,000</u>	<u>30,010</u>	<u>30,000</u>	<u>30,010</u>
	<u>133,713</u>	<u>107,801</u>	<u>132,493</u>	<u>106,701</u>

16. Amount owed to holding company

	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
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The recommended final dividend is £90,000,000 of which £30,000,000 is payable within one year (note 15). It is proposed that the remaining £60,000,000 will become a non-interest bearing loan from the holding company repayable after more than one year.

NOTES TO THE ACCOUNTS

17. Loan capital

	Outstanding at 30 March 1986 £000	Redeemed £000	Outstanding at 4 April 1987 £000
Secured			
5½% Mortgage debenture stock 1989/94	759	84	675
6½% Mortgage debenture stock 1989/94	1,005	30	975
7½% Mortgage debenture stock 1994/98	<u>1,559</u>	<u>18</u>	<u>1,541</u>
	3,323	132	3,191
Less amount included in creditors falling due within one year	<u>112</u>	<u>-</u>	<u>112</u>
	3,211	132	3,079
Unsecured - amount owed to holding company			
9% Convertible unsecured loan stock 1992	<u>23,867</u>	<u>-</u>	<u>23,867</u>
	<u>27,078</u>	<u>132</u>	<u>26,946</u>

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

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

18. Provision for liabilities and charges

	1987 £000	Parent 1986 £000	1987 £000	Group 1986 £000
Provisions associated with the withdrawal from food	-	9,125	-	9,200
Deferred taxation	<u>4,275</u>	<u>579</u>	<u>4,766</u>	<u>1,045</u>
	<u>4,275</u>	<u>9,704</u>	<u>4,766</u>	<u>10,245</u>

Provisions associated with the withdrawal from food

	Parent £000	Group £000
Balance at 30 March 1986		
Utilised during year	9,125	9,200
	<u>9,125</u>	<u>9,200</u>
Balance at 4 April 1987	-	-
Deferred taxation		
Balance at 30 March 1986		
Transfer from profit and loss account - timing differences	579	1,045
Transfer to current taxation	3,867	3,892
Advance corporation tax deducted from corporation tax payable 1 April 1988	(175)	(175)
	<u>4</u>	<u>4</u>
Balance at 4 April 1987	<u>4,275</u>	<u>4,766</u>

The deferred taxation provision comprises:

	Parent 1987 £000	1986 £000	Group 1987 £000	1986 £000
Provision in respect of:				
Capital allowances	2,500	1,700	2,962	2,161
Other timing differences	1,775	(1,117)	1,804	(1,112)
Advance corporation tax recoverable	-	(4)	-	(4)
	<u>4,275</u>	<u>579</u>	<u>4,766</u>	<u>1,045</u>
The further potential liability is:				
Capital allowances	22,563	23,117	22,563	23,117
Other timing differences	<u>730</u>	<u>652</u>	<u>730</u>	<u>652</u>
	<u>27,568</u>	<u>24,348</u>	<u>28,059</u>	<u>24,814</u>

NOTES TO THE ACCOUNTS

19. Called up share capital

	Authorised	Issued and fully paid	
	£000	1987 £000	1986 £000
Ordinary shares at 25p each	60,000	53,156	52,956
7% Cumulative preference stock (4.9% plus tax credit)	400	400	400
	<u>60,400</u>	<u>53,556</u>	<u>53,356</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	293,864	72,716	370,358
The BHS Share Option Scheme (1980)	298,356	74,589	578,848
The BHS 1984 Share Option Scheme	207,123	51,781	574,955
	<u>796,343</u>	<u>199,086</u>	<u>1,524,161</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
	1987	1986		
The BHS Savings-Related Share Option Scheme	298,228	378,649	October 1988/March 1989	124.00p
	21,075	29,833	October 1987/March 1988	138.00p
	30,177	35,739	October 1989/March 1990	138.00p
	38,061	56,627	October 1988/March 1989	185.18p
	54,037	67,612	October 1990/March 1991	185.18p
	75,472	115,032	October 1989/March 1990	169.00p
	83,849	97,170	October 1991/March 1992	169.00p
	59,108	80,193	October 1990/March 1991	251.00p
	46,560	63,772	October 1992/March 1993	251.00p

NOTES TO THE ACCOUNTS

20. RESERVES

	Parent £000	Group £000
Share premium account		
At 30 March 1986		
Arising on share issues during the year	11,497	11,497
Share issue expenses	1,325	1,325
	(47)	(47)
At 4 April 1987	<u>12,775</u>	<u>12,775</u>
Revaluation reserve		
At 30 March 1986		
Transfer to profit and loss account	2,171	2,171
	(85)	(85)
At 4 April 1987	<u>2,086</u>	<u>2,086</u>
Other reserves		
Pre-acquisition reserves		
At 30 March 1986		
Transfer to profit and loss account on disposal of subsidiary	-	3,861
	-	(3,861)
At 4 April 1987	<u>-</u>	<u>-</u>
Profit and loss account		
At 30 March 1986		
Profit for the year	146,972	162,301
Dividends	45,651	52,902
Transfer from revaluation reserve	(90,045)	(90,045)
Transfer from other reserves	85	85
	-	3,861
At 4 April 1987	<u>102,663</u>	<u>129,104</u>

Total reserves of £117,524,000 (1986 £160,640,000) in the parent company include £14,861,000 which is not distributable (1986 £15,668,000).
Total reserves of £143,965,000 (1986 £179,830,000) in the group include £31,313,000 which is not currently distributable (1986 £28,385,000).

21. LEASING COMMITMENTS

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

	1987 £000	1986 £000
Leases which expire - within 1 year		
- between 2 and 5 years	15	23
- over 5 years	113	170
	<u>15,734</u>	<u>12,845</u>
	<u>15,862</u>	<u>13,038</u>

22. HOLDING COMPANY

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

REPORT OF THE AUDITORS

To the members of British Home Stores PLC

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

In our opinion the accounts, which have been prepared on an historical cost basis as modified to include the revaluation of certain properties, give a true and fair view of the state of affairs of the company and of the group at 4 April 1987 and of the profit and the source and application of funds of the group for the period to that date, and comply with the Companies Act 1985.

London, 1 June 1987

Arthur Andersen & Co.

Arthur Andersen & Co.
Chartered accountants