

229606



BhS plc

REPORT AND ACCOUNTS

1988-89

256

9.8.89

## DIRECTORS' REPORT

The directors submit their report on the accounts for the fifty-two weeks to 1 April 1989.

### 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 133 stores and a total sales area of 3.3 million sq ft. The stores cater for all the family, specialising in high quality but value for money clothing and household goods. There are 22 franchise stores worldwide.

Sales for the year of £436m were 1.5 per cent higher than last year. The profit on ordinary activities before taxation of £19.8m showed a reduction of 76.5% after an exceptional charge of £17.7m for asset write-offs and provisions for new stock control policies. The charge for taxation of £5.8m represents 29.3 per cent of profits compared with 34.8 per cent for the previous year. The profit for the year after taxation and before the extraordinary item was £14.0m.

An extraordinary profit of £52.6m resulted from the disposal of the interest in SaveCentre Ltd as detailed below.

During the year the Exclamations II programme, which upgrades stores to new standards of layout, presentation and display, was rolled out to 62 stores by the end of the financial year and is now being extended to a further 24 stores. The new format provides a friendly environment for the much improved merchandise ranges. Stores with the new layout have consistently shown sales overall some 2 per cent ahead of the rest of the chain.

New BhS stores were opened at Maitland in April 1988 and Surrey Quays in October.

These are to be followed this year by a further three new stores at St Enoch's in Glasgow, Merry Hill and Portsmouth.

The programme to use surplus space in existing BhS stores by inserting other Storehouse group companies or external concessions was substantially extended. The programme is designed to boost sales densities in BhS whilst simultaneously offering expansion or relocation opportunities to other group companies. In the first phase of this programme, around 240,000 sq ft of BhS space was redeployed mainly for group and external concessions.

The relaunch of the BhS store at High Street Kensington in November is an important example of making the best use of both surplus trading and service space.

The development of the BhS franchise operation since its formation in September 1985 has been particularly successful, and we were honoured with the Queen's Award for Export in April. At the year end 22 franchise stores were trading, predominantly in the Mediterranean, Middle and Far East and Northern Europe. Another three are planned for the current year.

### Joint Venture with London & Edinburgh Trust PLC

Storehouse PLC, the holding company of BhS, announced on 6 March 1989 that an agreement had been entered with London & Edinburgh Trust PLC (LET) to establish a joint venture company, Oppidan Estates Ltd, which will manage and develop a portfolio of properties to be acquired from the Storehouse Group and the LET Group.

Oppidan Estates Ltd will become a 50% associated company of BhS and will acquire a number of existing BhS sites, which are currently owned by Storehouse Properties Limited, a Storehouse subsidiary, on the basis of open market valuations. The disposal of property to Oppidan is expected to result in certain plant and equipment write-offs in BhS, depending on the final portfolio of properties. This write-off will be more than offset by profits arising on the disposal of the properties by other group companies.

### Disposal of interest in SaveCentre Ltd

The interest in 50% of the equity of SaveCentre Ltd was disposed of in March 1989 for a total consideration of £123m, giving rise to an extraordinary profit on disposal of £52.6m. Details of the results for SaveCentre for the financial year and the extraordinary profit arising on disposal are given in note 14.

BhS will remain the principal supplier of clothing, textiles and lighting to SaveCentre under the terms of a new agreement for at least five years.

### Acquisition and Disposal of FNAC

During the year the company acquired 78,208 shares, representing 9.5% of the issued share capital of FNAC SA, a company registered in France and quoted on the Paris Stock Exchange, for £9,481,000. This investment was subsequently sold and no profit or loss arose on disposal.

### Change of name

On 1 December 1988 the company changed its name from British Home Stores PLC to BhS plc.

9 AUG 1989

## DIRECTORS' REPORT continued

### Dividends

Dividends on the preference stocks have been paid at a cost of £26,000. An interim ordinary dividend of £37,500,000 has been paid.

The directors recommend a final dividend of £30,000,000. After the payment of dividends, the amount withdrawn from reserves is £0.9m.

### Share capital

During the year 276,375 shares were issued on exercising of share options. Details of the issues and of outstanding options are given in note 20 on page 15.

### Employee Involvement

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

This year the Company undertook two major consultation initiatives on the design of a new Store staff uniform and on the future of staff catering. The surveys of staff opinion were a considerable aid to the Board in taking decisions on both issues.

### 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 £107,000.

### Directors

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

G Davy	Chief Executive
A G Anderson	
C G Coles	Appointed 22 September 1988
J R Hobson	
D H Maynard	
A T Newman	
M Toogood	
P Diamond	
J F Power	

Sir Terence Conran, Mr T P Goddard and Mr K P Jones retired from the Board on 8 September 1988; Mr R A Nethercott retired from the Board on 31 January 1989; Mr F H W Lister and Mr J S Stephenson retired from the Board on 31 March 1989.

In accordance with the provisions of article 107 of the company's articles of association Mr G Davy and Mr J R Hobson 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 C G Coles retires as a director and, being eligible, offers himself for re-election.

### Tangible assets

During the year, assets with a net book value of £12m were transferred to Storehouse Retail Services Ltd, another subsidiary of Storehouse PLC, at book amount.

The directors are of the opinion that the value of the group's properties at 1 April 1989 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 1 April 1989 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*	
	1989 Shares	1988 Shares	1989 £	1988 £	1989 Shares	1988 Shares
A G Anderson	4,016	3,041			68,902	59,539
C G Coles	-	-			63,526	- **
J R Hobson	3,572	1,436			97,874	75,805
D H Maynard	1,926	1,725			68,950	61,743
A T Newman	2,701	2,500	142	142	67,309	61,562
M Toogood	1,932	1,731	58	58	73,917	64,519

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

\*\* Interests on date of appointment.

No director held any mortgage debenture stock in the company during the year. There have been no changes in the directors' interests in the shares and stock of Storehouse PLC from 1 April 1989 to 31 May 1989.

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

London, 31 May 1989

By order of the board  
G. C. Johnson  
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the 52 weeks to 1 April 1989 (Notes 1 and 2)

		GROUP	
	Note	1989 £000	1988 £000
Turnover (including value added tax)		635,795	627,546
Value added tax		<u>(67,168)</u>	<u>(67,243)</u>
Turnover (excluding value added tax)		568,627	560,303
Cost of sales		<u>(523,679)</u>	<u>(474,360)</u>
Gross profit		44,948	85,943
Administrative expenses		<u>(16,788)</u>	<u>(14,715)</u>
Trading profit	3	28,160	71,228
Net profit on disposal of properties		-	5,434
Share of profit of related company		11,355	10,040
Net interest payable	5	(2,029)	(1,900)
Contribution to employees share participation schemes		-	<u>(832)</u>
Profit on ordinary activities before exceptional items		37,486	83,970
Exceptional items	6	<u>(17,713)</u>	-
Profit on ordinary activities before taxation		19,773	83,970
Tax on profit on ordinary activities	7	<u>(5,803)</u>	<u>(29,208)</u>
Profit on ordinary activities after taxation and before extraordinary items		13,970	54,762
Extraordinary items	8	<u>52,647</u>	<u>(1,564)</u>
Profit for the financial year		66,617	53,198
Dividends	9	<u>(67,526)</u>	<u>(30,027)</u>
Transfer (from)/to reserves		<u>(909)</u>	<u>23,171</u>

A statement of the movement on reserves is shown in note 21

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

**BALANCE SHEET**  
31st May 1989

**PARENT**

1988 £000	1989 £000
168,828	185,368
<u>22,691</u>	<u>8,347</u>
191,519	193,715

**FIXED ASSETS**  
Tangible assets  
Investments

1988	1989
191,519	193,715
<u>22,691</u>	<u>8,347</u>
168,828	185,368

**CURRENT ASSETS**  
Stocks  
Debtors  
Cash at bank and in hand

15,423	66,542
74,772	113,232
<u>25,186</u>	<u>20,875</u>
115,381	201,649
<u>142,682</u>	<u>136,259</u>

**CREDITORS: amounts falling due within one year**

15	115,381	201,649
17	<u>142,682</u>	<u>136,259</u>

**NET CURRENT (LIABILITIES)/ASSETS**

80,139	44,088
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**TOTAL ASSETS LESS CURRENT LIABILITIES**

216,262	257,007
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**CREDITORS: amounts falling due after more than one year**  
Loan capital  
Corporation tax  
Accruals

26,909	26,741
-	1,227

18	26,741	26,909
7	110	362
	<u>1,227</u>	

**PROVISION FOR LIABILITIES AND CHARGES**

8,546	14,550
<u>180,807</u>	<u>214,489</u>

19	14,845	11,961
	<u>230,637</u>	<u>231,194</u>

**CAPITAL AND RESERVES**  
Called up share capital  
Share premium account  
Revaluation reserve  
Profit and loss account

53,563	53,632
12,808	13,091
<u>114,436</u>	<u>147,766</u>

20	53,632	53,563
21	13,091	12,808
21		12,971
21	<u>163,914</u>	<u>149,249</u>

G DAVY  
C G COLES

Directors

Approved 31st May 1989

<u>180,807</u>	<u>214,489</u>
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<u>230,637</u>	<u>231,194</u>
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The notes on pages 7 to 16 form part of these accounts.

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS  
for the 52 weeks to 1 April 1989 (Notes 1 and 2)

	1989 £000	1988 £000
<b>Source of funds</b>		
Generated from operations		
Profit on ordinary activities before taxation	19,773	83,970
Depreciation	24,004	20,024
Exceptional asset write-offs and provisions	7,383	(5,434)
Profit on disposal of properties	(11,355)	(10,040)
Share of profit of related company	39,805	88,520
Other sources		
Share capital	352	40
Disposal of tangible assets	248	2,655
Sale and leaseback of properties	-	9,169
Sale of tangible assets to group companies	12,151	118,069
Disposal of related company	119,316	-
	<u>132,067</u>	<u>129,933</u>
	171,872	218,453
<b>Application of funds</b>		
Capital expenditure - tangible assets	61,994	41,852
Dividends	67,526	30,027
Corporation tax	33,404	16,391
Redemption of mortgage debenture stock	168	37
Extraordinary item costs	-	2,405
	<u>163,092</u>	<u>90,712</u>
	<u>8,780</u>	<u>127,741</u>
<b>Working capital changes</b>		
(Decrease)/increase in stocks	(8,335)	7,394
Increase in debtors	23,860	6,522
Decrease/(increase) in creditors	913	(4,024)
	<u>16,438</u>	<u>9,892</u>
Increase/(decrease) in net liquid funds	7,126	(220)
(Decrease)/increase in intra-group balances	(14,784)	118,069
	<u>8,780</u>	<u>127,741</u>

Net liquid funds comprises cash at bank and in hand.

# NOTES TO THE ACCOUNTS

## 4. Directors and employees

1989	1988
£000	£000

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

Emoluments, including pension contributions and benefits  
Payments for directors on relinquishing office

666	749
166	122
832	871

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

£	£
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Chairman - Mr D P Cassidy  
- Mr F H W Lister  
Highest paid director

-	94,068
94,609	47,645
113,368	-

All directors in emolument scales

Number	Number
--------	--------

Nil  
£25,001 - £30,000  
£30,001 - £35,000  
£40,001 - £45,000  
£55,001 - £60,000  
£65,001 - £70,000  
£70,001 - £75,000  
£75,001 - £80,000  
£80,001 - £85,000  
£90,001 - £95,000  
£105,001 - £110,000  
£110,001 - £115,000

6	6
-	4
1	-
1	-
3	1
1	1
1	1
-	-
-	2
1	1
-	1
1	-

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

£30,001 - £35,000  
£35,001 - £40,000  
£40,001 - £45,000  
£45,001 - £50,000  
£50,001 - £55,000  
£60,001 - £65,000  
£65,001 - £70,000

33	37
26	8
11	10
2	-
6	-
1	-
-	1

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

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

5,043	5,558
10,482	11,009
1,039	1,194
406	371
16,970	18,132

Staff costs during the year amounted to:

£000	£000
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Wages and salaries  
Social security costs  
Accounting cost for pensions

67,923	65,561
4,080	3,853
3,905	4,850
75,908	74,264



## 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 1 April 1989 (comparative figures are for the fifty-two weeks to 2 April 1988). 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 held a 50% interest and over which it exercised significant control - is included in the consolidated profit and loss account. The investment in this company represented 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. **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. Change in accounting policy

In accordance with SSAP 24 the cost of providing pensions is provided for in the accounts over the period during which the company benefits from the services of employees. This is a modification to the previous accounting policy in which experience surpluses were partially reflected in reduced pension costs.

Accordingly a prior year adjustment has been made in respect of experience surpluses which are now to be allocated over the expected remaining service lives of current scheme members. The pension cost for the year ended 2 April 1988 has, therefore, been increased by £2,800,000 and for the previous year by £800,000. The balance on the profit and loss account has been re-stated for this total adjustment less the related deferred tax credit of £1,260,000, see notes 19 and 21.

### 3. Trading profit

The trading profit of £28,160,000 (1988 £71,228,000) is stated after charging:

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

	1989 £000	1988 £000
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	53	54
	763	987
	39,833	20,244
	24,004	20,024

# NOTES TO THE ACCOUNTS

## 4. Directors and employees

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

Emoluments, including pension contributions and benefits  
Payments for directors on relinquishing office

1989  
£000

1988  
£000

666  
166

749  
122

832

871

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

Chairman - Mr D P Cassidy  
- Mr F H W Lister  
Highest paid director

£  
-  
94,609  
113,368

£  
94,068  
47,645  
-

All directors in emolument scales

Number

Number

Nil  
£25,001 - £30,000  
£30,001 - £35,000  
£40,001 - £45,000  
£55,001 - £60,000  
£65,001 - £70,000  
£70,001 - £75,000  
£75,001 - £80,000  
£80,001 - £85,000  
£90,001 - £95,000  
£105,001 - £110,000  
£110,001 - £115,000

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1

6  
4  
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1  
1  
1  
-  
2  
1  
1  
1  
-

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

£30,001 - £35,000  
£35,001 - £40,000  
£40,001 - £45,000  
£45,001 - £50,000  
£50,001 - £55,000  
£60,001 - £65,000  
£65,001 - £70,000

33  
26  
11  
2  
6  
1  
-

37  
8  
10  
-  
-  
-  
1

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

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

5,043  
10,482  
1,039  
406  
16,970

5,558  
11,009  
1,194  
371  
18,132

Staff costs during the year amounted to:

Wages and salaries  
Social security costs  
Accounting cost for pensions

£000  
67,923  
4,080  
3,905  
75,908

£000  
65,561  
3,853  
4,850  
74,264

# NOTES TO THE ACCOUNTS

	1989 £000	1988 £000
<b>5. Net interest payable</b>		
Interest payable:		
On loans repayable after five years	(203)	(209)
On bank and other loans and overdrafts	<u>(1,389)</u>	<u>(1,237)</u>
	(1,592)	(1,446)
	<u>(2,136)</u>	<u>(2,142)</u>
On loan stock from holding company (note 18)	(3,728)	(3,588)
	<u>1,699</u>	<u>1,688</u>
Interest receivable	<u>(2,029)</u>	<u>(1,900)</u>
<b>6. Exceptional item</b>		
Asset write-offs and costs associated with new stock control policies, cost reductions and exploitation of space, of which a provision of £3,850,000 is carried forward for the write-off of store fixtures as they are progressively replaced.	<u>17,713</u>	<u>-</u>
<b>7. Taxation</b>		
Current:		
United Kingdom	7,363	24,273
Corporation tax at 35%	3,822	3,668
Related company	<u>217</u>	<u>677</u>
Overseas	11,402	28,618
Deferred:		
United Kingdom	(3,224)	1,213
Parent company	(30)	(36)
Related company	<u>(104)</u>	<u>(49)</u>
Overseas	(3,358)	1,128
	8,044	29,746
	<u>(2,241)</u>	<u>(538)</u>
Adjustments to provision for earlier periods	<u>5,803</u>	<u>29,208</u>

The taxation charge for 1989 would have been £6,025,000 (1988 £28,150,000) had full provision been made for deferred taxation.

United Kingdom corporation tax of £7,363,000 is payable on 1 February 1990 and is included in creditors due within one year (1988 - £10,238,000 payable on 1 March 1989). Overseas tax of £110,000 is payable on 1 January 1991 and is included in creditors due after more than one year (1988 - £262,000 payable on 1 January 1990).

## 8. Extraordinary items

Disposal of interest in SavaCentre Ltd (note 14)	59,897	-
Takeover bid defence costs	-	(2,405)
Taxation	<u>(7,250)</u>	<u>841</u>
Net profit/(loss)	<u>52,647</u>	<u>(1,564)</u>

# NOTES TO THE ACCOUNTS

## 9. Dividends

	1989 £000	1988 £000
Preference dividends	26	27
Ordinary dividends:		
Interim, paid	37,500	-
Final, proposed	<u>30,000</u>	<u>30,000</u>
	<u>67,526</u>	<u>30,027</u>

## 10. Tangible assets

The net book value of leaseholds at 1 April 1989 in respect of leases with less than fifty years to run is £19,854,000 (1988 - £11,979,000) in the case of the group and £19,526,000 (1988 - £11,786,000) in the case of the company.

Additions for the group and for the company include £39,000 (1988 £440,000) in respect of capitalised interest.

	Properties including fixed equipment		Fixtures, furnishing and equipment	Assets under construction	Total
Group	Freehold £000	Leasehold £000	£000	£000	£000
<u>Gross book value at cost</u>					
At 2 April 1988	8,255	111,363	160,809	1,259	281,686
Transfers	351	147	280	(778)	-
Additions	804	14,318	44,255	2,617	61,994
Disposals	<u>(776)</u>	<u>(532)</u>	<u>(45,399)</u>	<u>-</u>	<u>(46,707)</u>
At 1 April 1989	<u>8,634</u>	<u>125,296</u>	<u>159,945</u>	<u>3,098</u>	<u>296,973</u>
<u>Depreciation and amortisation</u>					
At 2 April 1988	1,002	26,839	82,472	-	110,313
Provided	209	4,286	19,509	-	24,004
Disposals	<u>(349)</u>	<u>(111)</u>	<u>(30,315)</u>	<u>-</u>	<u>(30,775)</u>
At 1 April 1989	<u>862</u>	<u>31,014</u>	<u>71,666</u>	<u>-</u>	<u>103,542</u>
<u>Net book values</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>
At 2 April 1988	<u>7,253</u>	<u>84,524</u>	<u>78,337</u>	<u>1,259</u>	<u>171,373</u>

# NOTES TO THE ACCOUNTS

10. Tangible assets (continued)	Properties including fixed equipment		Fixtures, furnishing and equipment	Assets under construction	Total
	Freehold £000	Leasehold £000	£000	£000	£000
<u>Gross book value at cost</u>					
At 2 April 1988	3,597	110,910	158,322	1,259	274,088
Transfers	351	147	280	(778)	-
Additions	-	14,318	42,707	2,417	59,442
Disposals	(776)	(532)	(45,186)	-	(46,494)
At 1 April 1989	<u>3,172</u>	<u>124,843</u>	<u>156,123</u>	<u>2,898</u>	<u>287,036</u>
<u>Depreciation and amortisation</u>					
At 2 April 1988	599	26,640	80,967	-	108,206
Provided	165	4,266	19,204	-	23,635
Disposals	(349)	(111)	(30,213)	-	(30,673)
At 1 April 1989	<u>415</u>	<u>30,795</u>	<u>69,958</u>	<u>-</u>	<u>101,168</u>
<u>Net book values</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>
At 2 April 1988	<u>2,998</u>	<u>84,270</u>	<u>77,355</u>	<u>1,259</u>	<u>165,882</u>

## 11. Capital commitments

Commitments for future capital expenditure are estimated as follows:  
Contracted for but not provided in the accounts - Parent company

Authorised by the directors but not contracted - Parent company

1989 £000	1988 £000
16,589	5,379
166	13
9,949	17,062
248	-
<u>26,952</u>	<u>22,454</u>

## 12. Investments

Group companies (note 13)  
Related company (note 14)  
Other investments (note 15)

	Parent		Group	
	1989 £000	1988 £000	1989 £000	1988 £000
Group companies (note 13)	6,349	6,349	-	-
Related company (note 14)	-	16,342	-	51,855
Other investments (note 15)	-	-	-	-
	<u>6,349</u>	<u>22,691</u>	<u>-</u>	<u>51,855</u>

## NOTES TO THE ACCOUNTS

### 13. Group companies

	Shares in group companies £000	Loans to group companies £000	Total £000
Cost At 2 April 1988 and 1 April 1989	<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 (incorporated in England)	British Home Stores Limited
	Irish Home Stores Limited (incorporated in Republic of Ireland)
	Scottish Home Stores Limited

### 14. Related company

The company held during the year 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. This investment was disposed of on 13 March 1989, see below.

The investment in related company comprises:

	Shares in related company £000	Share of retained profits £000	Share of revaluation surplus £000	Group Total £000
Cost or amount under equity method of accounting At 2 April 1988	16,342	22,935	12,578	51,855
Group share of the retained profit for the 57 weeks to 13 March 1989	-	7,564	-	7,564
Disposal of interest at 13 March 1989	<u>(16,342)</u>	<u>(30,499)</u>	<u>(12,578)</u>	<u>(59,419)</u>
At 1 April 1989	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The share of retained profits amounting to £7,564,000 represents the group share of the post-tax profits of SavaCentre Limited based on its audited accounts for the fifty-seven weeks ended 18 March 1989.

The turnover of the related company, excluding value added tax, amounted to £306,847,000 (1988 - £272,780,000) and the profit is stated after charging depreciation amounting to £5,031,000 (1988 - £4,199,000).

#### Disposal of interest in SavaCentre Limited

The interest in SavaCentre Ltd was sold for £123m, being £96.8m in cash and £26.2m in interest bearing loan notes which are redeemable between 31 October 1989 and 30 April 1990. As part of the sale agreement, on 3 April 1989 BHS subscribed for £28.1m of SavaCentre loan notes at par. These loan notes are interest free, guaranteed by J Sainsbury plc and repayment is due at £3.5m on 1 December 1989, £16.5m on 30 March 1990, £4m on 2 January 1991 and £4.1m on 2 January 1992. The cost of providing these interest free loan notes of £2.9m is provided for in the net profit on disposal of SavaCentre, which arises as follows:

	£000
Proceeds from sale	123,000
Expenses of sale	(767)
Cost of interest free loan notes	<u>(2,917)</u>
	119,316
Book value of investment at date of sale - see above	<u>(59,419)</u>
	59,897
Deferred taxation provided	<u>(7,250)</u>
Net profit on disposal	<u>52,647</u>

# NOTES TO THE ACCOUNTS

15. Other investments	Cost £000	Provision £000	Net book value £000
At 2 April 1988	400	400	-
Investments during the year	13	-	13
Provision made during the year	-	13	(13)
	<u>413</u>	<u>413</u>	<u>-</u>
At 1 April 1989			

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 BHS plc. The investment is stated at directors' valuation.

16. Debtors	1989 £000	Parent 1988 £000	1989 £000	Group 1988 £000
Due within one year:				
Trade debtors	7,062	5,328	7,189	5,389
Amounts owed by subsidiary companies	1,565	637	-	-
Amounts owed by holding and fellow subsidiary companies	12,876	27,207	12,876	27,207
Amounts owed by related company	-	1,012	-	1,012
Redeemable loan notes 1989/90	26,151	-	26,151	-
Other debtors	3,614	2,662	3,952	8,122
Prepayments and accrued income	<u>3,869</u>	<u>3,735</u>	<u>4,696</u>	<u>4,130</u>
	55,137	40,581	54,864	45,860
Due after more than one year:				
Amount owed by holding company	55,983	32,636	55,983	32,636
Other debtors	<u>2,112</u>	<u>1,555</u>	<u>2,160</u>	<u>1,604</u>
	<u>113,232</u>	<u>74,772</u>	<u>113,007</u>	<u>80,100</u>

Other debtors due after more than one year include a loan made to Mr A G Anderson before he became a director of the company. The loan has not changed during the year and at 1 April 1989 was £20,754.

17. Creditors: amounts falling due within one year	1989 £000	Parent 1988 £000	1989 £000	Group 1988 £000
Mortgage debenture stock (note 18)	112	112	112	112
Trade creditors	18,429	19,780	18,558	19,978
Amounts owed to subsidiary companies	335	2,410	-	-
Amounts owed to holding and fellow subsidiary companies	37,338	28,147	37,338	28,147
Amounts owed to related company	-	11,880	-	11,880
Taxation and social security	24,594	26,760	24,886	27,236
Other creditors	5,954	10,043	6,106	10,092
Accruals	19,497	13,550	19,819	13,717
Proposed dividend	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
	<u>136,259</u>	<u>142,682</u>	<u>136,819</u>	<u>141,162</u>

# NOTES TO THE ACCOUNTS

18. Loan capital	Outstanding at 2 April 1988 £000	Redeemed £000	Outstanding at 1 April 1989 £000
Secured	668	91	577
5½% Mortgage debenture stock 1989/94	962	9	953
6½% Mortgage debenture stock 1989/94	<u>1,524</u>	<u>68</u>	<u>1,456</u>
7½% Mortgage debenture stock 1994/98	3,154	168	2,986
Less amount included in creditors falling due within one year	<u>112</u> <u>3,042</u>	<u>-</u> <u>168</u>	<u>112</u> <u>2,874</u>
Unsecured - amount owed to holding company	<u>23,867</u>	<u>-</u>	<u>23,867</u>
9% Convertible unsecured loan stock 1992	<u>26,909</u>	<u>168</u>	<u>26,741</u>

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

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

## 19. Provision for liabilities and charges

	Parent 1989 £000	Parent 1988 £000	Group 1989 £000	Group 1988 £000
Provision for pensions (note 2)	3,300	3,600	3,300	3,600
Amount released to profit and loss account during the year £300,000				
Provision for replacement of store fixtures (note 6)	3,850	-	3,850	-
Deferred taxation	<u>7,400</u>	<u>4,946</u>	<u>7,705</u>	<u>5,361</u>
	<u>14,550</u>	<u>8,546</u>	<u>14,855</u>	<u>8,961</u>

### Deferred taxation

At 2 April 1988 - as reported  
Adjustment for pension costs (note 2)

At 3 April 1988 - re-stated

Transfer from profit and loss account - ordinary timing differences  
- extraordinary timing differences

At 1 April 1989

The deferred taxation provision comprises:

	Parent 1989 £000	Parent 1988 £000	Group 1989 £000	Group 1988 £000
Provision in respect of:				
Capital allowances	4,760	4,760	4,945	5,108
Other timing differences	<u>2,640</u>	<u>186</u>	<u>2,760</u>	<u>253</u>
	7,400	4,946	7,705	5,361
The further potential liability is:	<u>20,313</u>	<u>20,091</u>	<u>20,313</u>	<u>20,091</u>
Capital allowances	<u>27,713</u>	<u>25,037</u>	<u>28,018</u>	<u>25,452</u>



# NOTES TO THE ACCOUNTS

## 20. Called up share capital

	Authorised	Issued and fully paid	
		1989	1988
	£000	£000	£000
Ordinary shares at 25p each	60,000	53,232	53,163
7% Cumulative preference stock (4.9% plus tax credit)	400	400	400
	<u>60,400</u>	<u>53,632</u>	<u>53,563</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>276,375</u>	<u>69,094</u>	<u>352,240</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
	1989	1988		
The BHS Savings-Related Share				
	26,004	26,004	October 1989/March 1990	138.00p
	42,951	48,235	October 1990/March 1991	185.18p
	59,105	65,757	October 1989/March 1990	169.00p
	71,618	74,220	October 1991/March 1992	169.00p
	52,281	54,487	October 1990/March 1991	251.00p
	36,331	42,463	October 1992/March 1993	251.00p

## 21. Reserves

	Parent £000	Group £000
Share premium account	12,808	12,808
At 2 April 1988	283	283
Arising on share issues during the year	<u>13,091</u>	<u>13,091</u>
At 1 April 1989		
Revaluation reserve	-	12,578
At 2 April 1988	-	(12,578)
Transfer to profit and loss account	-	-
At 1 April 1989		
Profit and loss account		
At 2 April 1988 - as reported	116,776	154,585
Provision for pension costs (note 2)	<u>(2,340)</u>	<u>(2,340)</u>
At 3 April 1988 - re-stated	114,436	152,245
Profit for the year	100,856	66,617
Dividends	(67,526)	(67,526)
Transfer from revaluation reserve	-	12,578
At 1 April 1989	<u>147,766</u>	<u>163,914</u>

Total reserves of £160,857,000 (1988 £127,244,000) in the parent company include £13,091,000 which is not distributable (1988 £12,808,000).  
Total reserves of £177,005,000 (1988 £177,631,000) in the group include £13,091,000 which is not currently distributable (1988 £48,321,000).

## NOTES TO THE ACCOUNTS

### 22. Leasing commitments

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

	1989 £000	1988 £000
Leases which expire - within 1 year	1,203	1,201
- between 2 and 5 years	219	72
- over 5 years	<u>44,015</u>	<u>35,630</u>
	<u>45,437</u>	<u>36,903</u>

### 23. Pension costs

BhS operates defined benefit pension schemes, the assets of which are held in separately administered funds.

The total pension cost included in these accounts is £3,905,000 (1988 £4,850,000) and the reduction compared with last year is mainly due to the experience surplus identified at the actuarial valuation carried out as at 5 April 1988. This valuation disclosed a surplus of assets over past service liabilities which is being utilised to improve benefits for members and to reduce the charge for pensions over the remaining service lives of current scheme members. The pension cost of the scheme is assessed in accordance with the advice of a qualified actuary principally using the new entrant method.

Provisions include £3,300,000 (1988 £3,600,000) in respect of experience surpluses arising in prior years which will now be allocated over the remaining service lives of current scheme members.

### 24. 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 approved Auditing Standards.

In our opinion the accounts, which have been prepared on an historical cost basis, give a true and fair view of the state of affairs of the company and of the group at 1 April 1989 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, 31 May 1989

Arthur Andersen & Co.  
Chartered Accountants

*Arthur Andersen & Co.*