WOOLWORTH HOLDINGS PLC

CONTENTS

WOOLWORTH HOLDINGS PLC

BOARD OF DIRECTORS

Sir Kenneth Durham	*Chairman*
Geoffrey Mulcahy	*Chief Executive*
Michael Hollingbery	*Non-Executive Director*
Lady Howe	*Non-Executive Director*
Alan Hurst-Brown	*Non-Executive Director*
Sir Nigel Mobbs	*Non-Executive Director*
Archie Norman	*Finance Director*
Malcolm Parkinson	*Executive Director*
Derek Pretty	*Executive Director*
Nigel Whittaker	*Executive Director*

Company Secretary
Tim Clement-Jones

Woolworth Holdings plc
Registered Office:
North West House
119 Marylebone Road
London NW1 5PX

FROM THE CHAIRMAN

Sir Kenneth Durham

"I would like to welcome to the Board, Lady Howe, who joined us as a non-executive director during the year. Her wide experience in public service is invaluable to us in the development of the group. Also joining the Board in 1986 were Archie Norman and Malcolm Parkinson.

"We have called upon the loyalty and dedication of our management and staff to an unusual degree this year. Their response has been magnificent, and I would like to take this opportunity to thank them all.

"Finally, I would also like to thank our shareholders whose support during the year is fully appreciated."

Woolworth Holdings group profits before tax rose last year 42 per cent to £115.3 million. Earnings per share increased 25 per cent to 47.1 pence. We will be recommending a final dividend to our shareholders of 11 pence. Total dividends for the year have increased by 60 per cent over those paid in 1985/86.

These results are outstanding, and testify to the overriding objectives of our business: to secure maximum returns for our shareholders. This is the principle which determines our priorities. It requires growth and profitability – and a restless determination to develop and improve all aspects of our business.

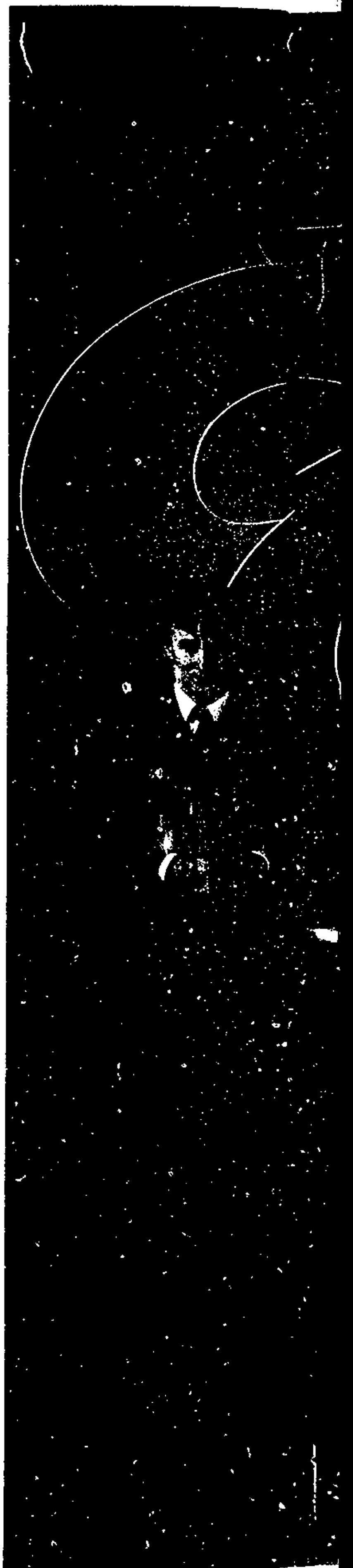
Our business is retailing, and it is there that we concentrate our management and financial resources. In retailing the route to profitability and growth is the identification and successful exploitation of specialist markets. In short: finding out what customers want, and giving it to them. As you will see in the review, we have been well served this year by our 'focused' approach to the business, particularly in our Woolworths stores.

Our policies have achieved much. But achievements by their nature beg new goals; and new goals require new policies. Thus the future will see us finding additional ways to realise further the great potential that still exists in all our own operations, and in the retail scene in general.

Indeed the future is already happening. Since the end of the year in review, we have announced recommended offers for Superdrug, Britain's leading specialist drugstore chain, and Charlie Browns, the self-service spares and servicing centres for motorists. With B&Q, Comet and Woolworths we have a group with a formidable potential for profitable growth.

Opposite: the headquarters team. From left to right: Archie Norman, *Finance Director;* Sir Kenneth Durham, *Chairman;* Geoffrey Mulcahy, *Chief Executive;* Nigel Whittaker, *Corporate Affairs Director.*

5 May 1987 K. Durham

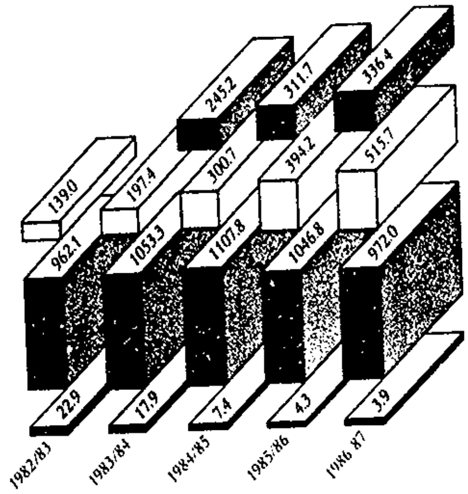



WORTHS
B&Q

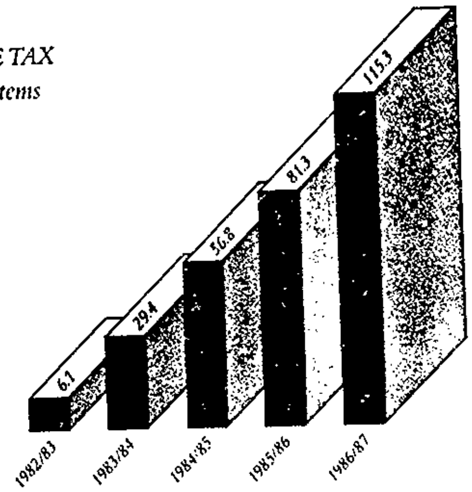
CONTINUING GROWTH

Group Financial Highlights

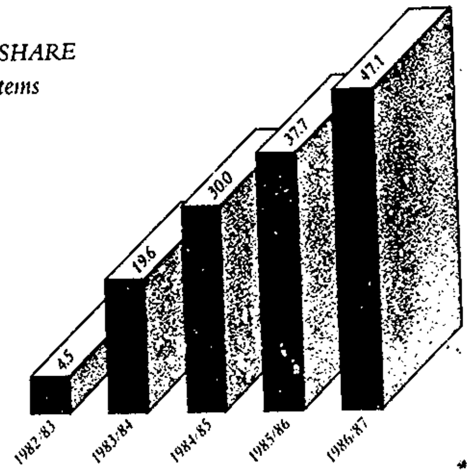
TURNOVER
Pounds in millions
- *Comet*
- *B&Q*
- *Woolworths*
- *Others*



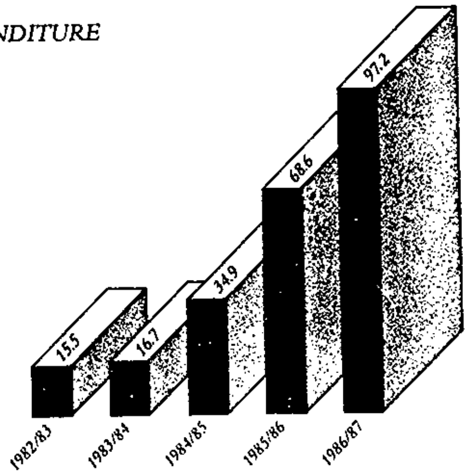
PROFIT BEFORE TAX
Before exceptional items
Pounds in millions



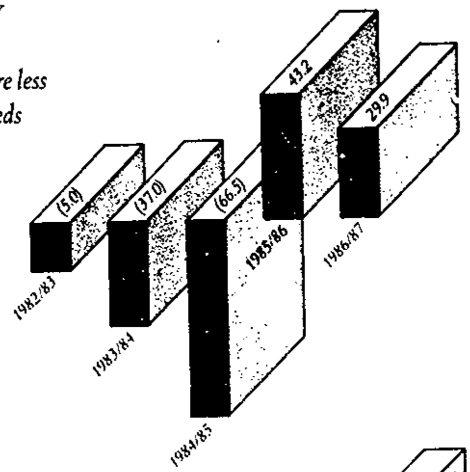
EARNINGS PER SHARE
Before exceptional items
Pence



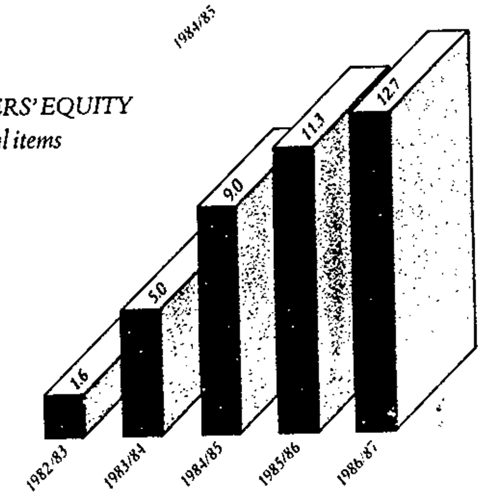
CAPITAL EXPENDITURE
Retail
Pounds in millions



NET PROPERTY EXPENDITURE
Capital expenditure less gross disposal proceeds
Pounds in millions



RETURN ON SHAREHOLDERS' EQUITY
Before exceptional items
Per cent



B&Q, COMET, WOOLWORTHS, WOOLWORTH PROPERTIES

RETAILING IN FOCUS

Review of the Year's Activities

A year of remarkable achievement and effect saw our three retailing businesses all turning in greatly increased profits and our property business beginning to unlock the potential of its huge portfolio.

It was an eventful year too; a year when confidence in the group's ability to grow purposefully and competitively soared. This confidence has come from many quarters: from the financial community, from our own management, who have seen their carefully laid plans and policies continuing to bear fruit, and from our customers, who have responded to the rapid development of our high-street and out-of-town retailing operations. All this has resulted in our shareholders seeing earnings per share rise impressively.

A key factor in this development has been the accelerating implementation of our strategic policy for the group. Early in the year it was formalised and first announced specifically for the Woolworths high-street chain under the banner of 'Operation Focus'.

For Woolworths 'focus' means giving the chain the specialist appeal that customers want. Concentrating merchandise into 6 areas instead of 62 has changed Woolworths from an ill-defined variety store into a distinctive specialist retailer. This is one manifestation of an approach which is relevant in determining the policies of Woolworth Holdings as a whole, and all the retailing operations in the group. It is the concept of specialism that is a common thread which runs through B&Q, Comet, Woolworths and the acquisitions of the Superdrug and Charlie Browns chains.

Our strategy is to develop the potential of our retailing businesses in the high-street and out-of-town with the

In order to ensure co-ordinated strategic direction in day-to-day retail decisions, close regular and formal contact is maintained between operating company managements and the headquarters team at Woolworth Holdings.

aim of achieving specialist, high growth operations and attaining and maintaining leadership in each of the markets in which they specialise.

It is being realised by the combined and complementary skills of the Woolworth Holdings headquarters team and the respective retailing management teams ensuring that each business has clear strategic direction implemented with professionalism, commitment and skill.

In 1982/83, the year in which we acquired the business, our group profits were £6.1 million. In just four years this figure has risen nineteen-fold to £115.3 million. We substantially exceeded the profit forecast made last June in our defence against the Dixons bid. The components of this achievement are examined in greater detail for each of our operating companies in the following pages.

From left to right:

Derek Pretty
Deputy Chief Executive Woolworths

Malcolm Parkinson
Chief Executive Woolworths

Jim Hodkinson
Managing Director B&Q

Nigel Whittaker
Corporate Affairs Director Woolworth Holdings and Chairman B&Q

Geoffrey Mulcahy
Chief Executive Woolworth Holdings and Chairman Woolworths

Archie Norman
Finance Director Woolworth Holdings and Executive Director responsible for Woolworth Properties

Eddie Styring
Managing Director Comet

David Hewitt
Chairman Comet

B&Q

B&Q (Retail) Limited
Board of Directors

Nigel Whittaker
Chairman

Jim Hodkinson
Managing Director

Tony Clowes
Operations & Development Director

Alan Greensides
Buying & Merchandise Director

Alan Jones
Property Director

John Kennedy
Finance & Systems Director

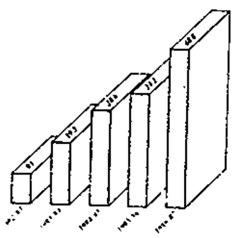
Company Secretary
Louis Fisher

B&Q's massive profitability indicates a great success story. B&Q is Britain's largest and most successful Do-It-Yourself retail operation. The out-of- town shopping concept is perfectly suited to the DIY sector. With changing lifestyles and habits, with increasing home ownership and increasing car ownership, the large, spacious sites offer great convenience to the customer and the retailer alike.

B&Q's expansion programme in recent years has been the subject of huge capital investment. Its growth has been setting the pace in the market, and that growth was undiminished in 1986. At the end of the year there were 193 B&Q DIY stores in the country with a total retailing space of 6.5 million square feet. In four years B&Q's profits have more than quadrupled and its selling space more than doubled. Out-of-town stores generally now account for 36 per cent of the DIY market, compared with just 7 per cent six years ago. By 1990 this figure is expected to rise to at least 50 per cent and B&Q will continue to expand in size, market share and profits.

By identifying and appreciating the needs of customers, B&Q has kept the leading edge on these trends. The management has been practising a focus strategy for some time, concentrating on the strengths of its special place in the market to attract the key 25-35 year old sector of the market that is most involved in DIY activities.

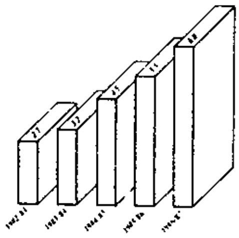
You have to visit a B&Q store to realise fully the quality of the comprehensive merchandise. The impressive 'Big Red Sheds' with their large car parks offer customers unrivalled choice and service. In all there are over 20,000 DIY lines of merchandise, mainly well-known brands, from a six-inch nail to a complete bathroom installation, a



RETAIL PROFIT BEFORE RENT B&Q
Pounds in millions

Providing home owners with everything they need under one roof for DIY in the house and garden.


SUPALAG
SOLID
EMULSION



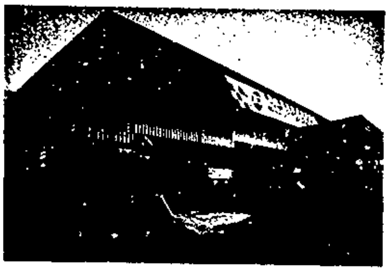
SELLING SPACE AT YEAR END
B&Q
Square feet in millions

bag of plaster to a sophisticated power tool. B&Q is also Britain's largest national garden centre chain offering everything from a garden shed to a single geranium.

During 1986, as the chain continued to expand, staff training was enhanced to improve further service to customers. Service is a key element in the competitive climate of out-of-town retailing and B&Q is leading the market in the introduction of systems to improve customer convenience. Introducing electronic point-of-sale systems into all its stores will give the customer the ultimate benefit of a behind-the-scenes supply chain management and inventory control system, which is bringing a wide range of efficiencies to B&Q's operations.

Two other businesses are being developed in the B&Q

B&Q's stores provide a wide and diverse range of high-quality merchandise in large, well organised and convenient out-of-town locations.

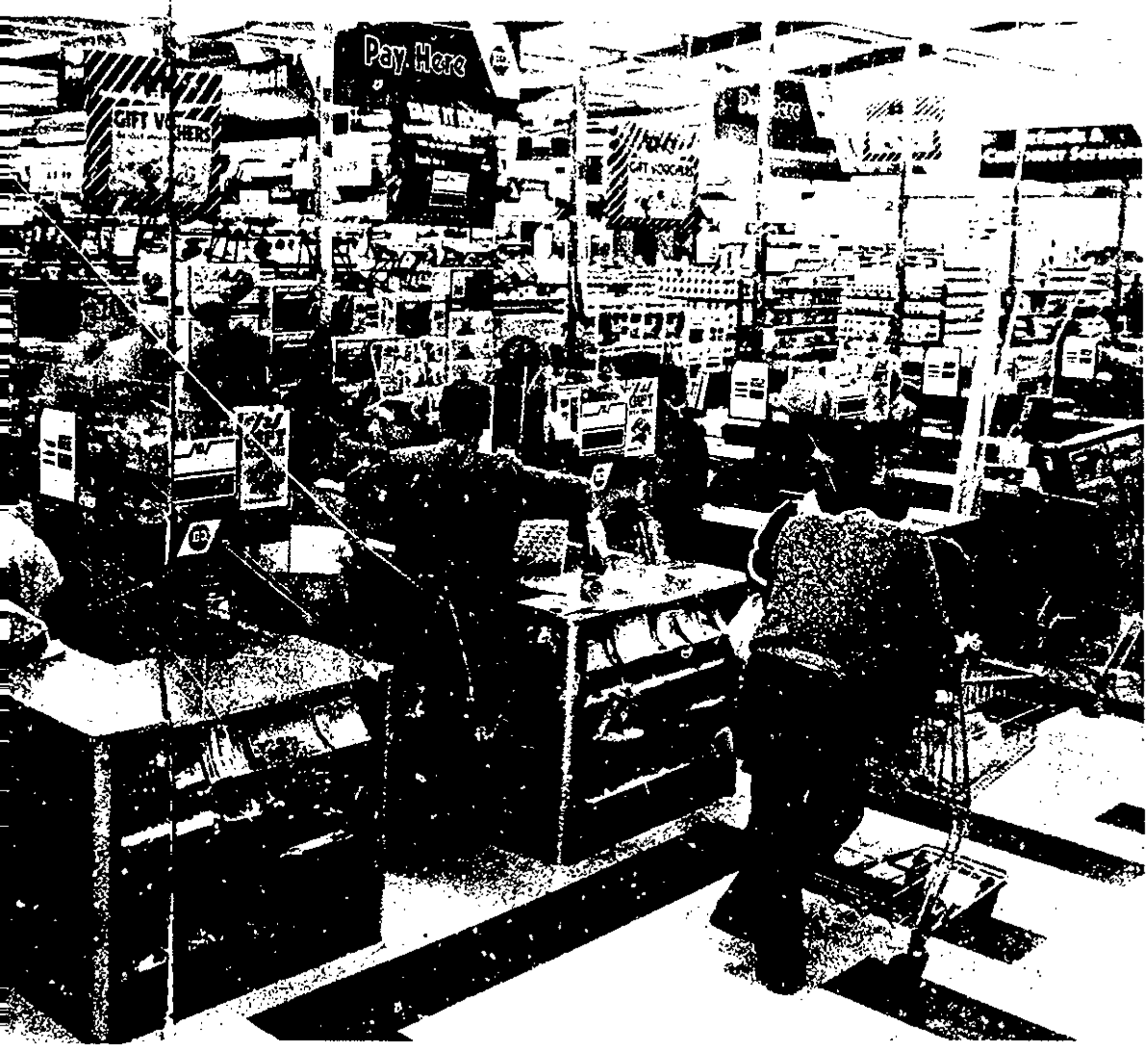


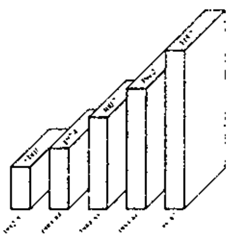
B&Q's Autocentres are a success, providing drive-in motorists with parts and accessories, special advice, servicing bays and valeting.

organisation. Autocentres provide motorists with simple maintenance, parts and accessories, and valeting – quickly and economically. (The Charlie Browns chain which has been acquired in 1987 is a perfect complement to the Autocentre development.) Homecentres provide complete home furnishing from stock allowing customers to choose a wide range of styles and plans from co-ordinated roomsets.

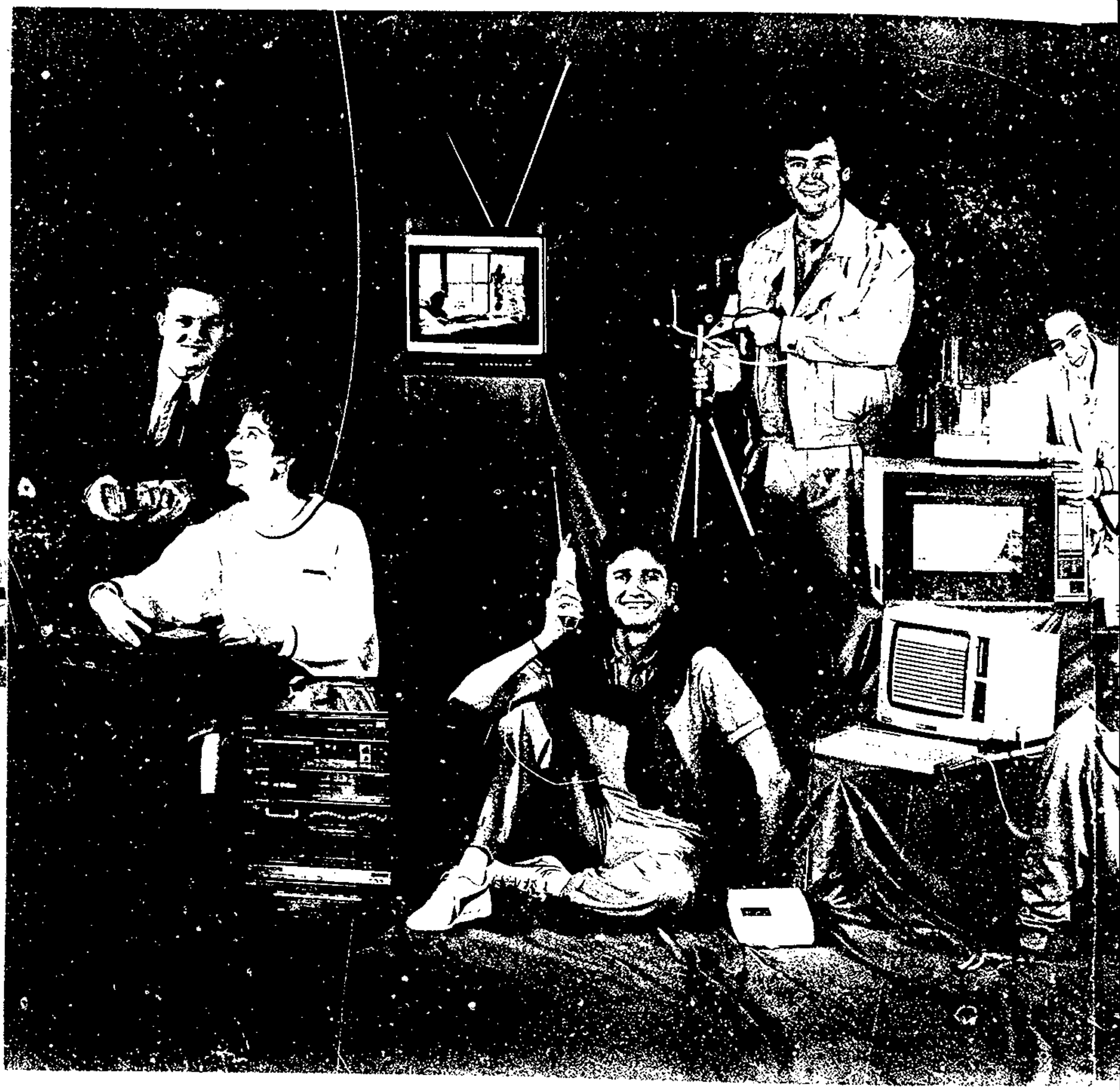
B&Q's record of growth is exemplary. It will continue in 1987, with 29 new stores to open and 11 to be relocated, and many more under active development. In 1986/87 sales increased 31 per cent to £515.7 million and profits were up to £45.5 million, a 37 per cent improvement on the previous year.

Three B&Q Homecentre stores have been opened to test the concept of providing quality, branded furniture from stock at short notice with reliable and prompt delivery.





TURNOVER
B&Q
Pounds in millions



COMET

Serving the more discerning customers of a fast changing market in domestic electronics and electrical goods.

Comet is Britain's leading out-of-town electrical retail chain. During 1986 its relocation and expansion programme has progressed at the same time as the implementation of new merchandising and marketing policies aimed at increasing turnover and profits. There are now 194 Comet stores. This represents an increase of total sales space by 28 per cent over the last two years. By the end of the decade there will be a Comet store in every major centre of population in the country.

It is envisaged that out-of-town electrical retailing operations as a whole will hold around 20 per cent of the market by 1990 (as compared with 4.7 per cent five years ago). Comet's development is aimed at not only maintaining its market leadership in this area, but at continuing to increase its share of this growing sector.

Comet is meeting the more demanding tastes of the market by introducing a wider range of proprietary branded goods in both the 'white' segment – the washing machine, refrigerator, cooker type of goods – and the 'brown' segment – the TVs, video recorders, hi-fi's and radios. It is the leading multiple retailer of electric and gas cookers, refrigerators and hi-fi separates, and as it moves into more sophisticated merchandise it will begin to challenge for leadership in other areas.

The new approach to merchandising and marketing is the responsibility of a new top management team, which was completed during 1986 and is conducting Comet's overall development as an out-of-town operation. The old, familiar 'line-list' advertising has gone; in its place is a more vigorous product oriented promotional programme which will progressively demonstrate Comet's range competitiveness more distinctly.

Comet Group PLC
Board of Directors

David Hewitt
Chairman

Eddie Styring
Managing Director

George Cox
Non-Executive Director

John Cumming
Development Director

George Johnson
Service Director

Derek Mason
New Business Director

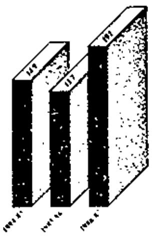
Leo McKee
Personnel Director

Peter McTague
Operations Director

Geoff Swinburne
Finance Director

Brent Wilkinson
Marketing & Buying Director

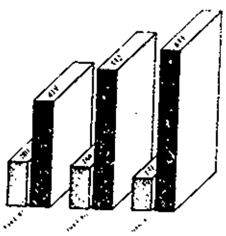
Company Secretary
Ralph Towndrow



RETAIL PROFIT BEFORE RENT
Comet
Pounds in millions

Comet's stores have the most advanced electronic point-of-sale systems in the sector – the front end of a highly sophisticated supply and inventory control network.

Comet's new merchandising displays with full information and on-the-spot customer advice have transformed the interiors of the country's leading out-of-town electrical retailing chain.



SELLING SPACE AT YEAR END
Comet
Square feet in thousands
In town
Out of town

New buying and distribution systems are being instituted. The company already has a highly efficient structure and low cost base and is well served by state-of-the-art systems and financial controls. Comet's electronic point-of-sale system is the most advanced in the electrical retailing market. It is providing a level of detailed information second to none in the industry.

One of Comet's strengths is the quality of its service department. Its own engineers and workshops provide efficient back-up to the merchandise bought from its stores, adding to the customers' confidence in overall

TURNOVER
Comet
Pounds in millions

service. During the year Comet instituted a number of new staff development and training programmes to encourage better information, advice and help to customers in stores.

Comet's results for the year reflect the benefits of its relocation and expansion programme, the enhancement of its marketing and merchandising and the implementation of new supply and distribution policies under the expert direction of new management. Total sales improved 8 per cent to £336.4 million, with profits up 46 per cent to £17.4 million.

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Woolworths plc
Board of Directors
Geoffrey Mulcahy
Chairman
Malcolm Parkinson
Chief Executive
Derek Pretty
Deputy Chief Executive
Mair Barnes
Merchandise Director
David Defty
Finance Director
Brian Ellis
Store Operations Director
Chris French
Information Services Director
Roger Jones
Administration Director
Don Rose
Personnel Director
Mike Sommers
Sales & Marketing Director
Jonathan Weeks
Distribution Director

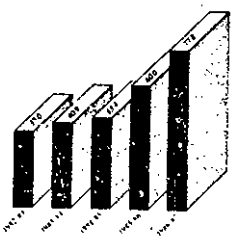
Company Secretary
Geoffrey Rimer

Nowhere in the group is our focus strategy being so fundamentally applied as in the Woolworths high-street chain. Woolworths is undergoing nothing less than a revolution. In 1986 the first real signs became apparent to customers with a quarter of the space of our 818 stores undergoing or having completed its refurbishment.

The purpose of this physical change is not just to improve the look of the stores, or just to bring them up to date. It is to provide the appropriate setting for the fewer but more distinct areas on which Woolworths is now concentrating. These areas have been the subject of painstaking research and careful management consideration of future trends in high-street shopping and the identification of the lifestyles and aspirations of key target customer groups.

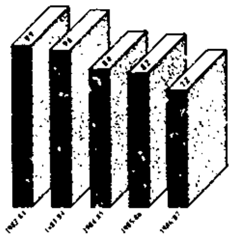
Gone are food, adult clothing and electrical goods amongst the 62 areas of merchandise that have been reduced to just 6. These are: children's clothing, toys and books; confectionery and stationery; recorded entertainment; home and garden; kitchens; and 'looks' – cosmetics and fashion accessories. In all, this has meant a substantial reduction from 50,000 lines. In our focused areas we now offer much better breadth, quality and choice – in a much brighter environment. The aim is to achieve high-street dominance in all six areas.

So once it was "good old Woolies" – affection but little else for an old friend who had become ineffectual. That is all in the past. We will keep the "good" but have dispensed with the "old Woolies" once and for all. There is nothing old about our new-style stores and merchandise, stores which are one of the market leaders in records and tapes, Europe's leading confectionery outlet and the number one



RETAIL PROFIT BEFORE RENT
Woolworths
Pounds in millions

Now focusing on the special needs and aspirations of younger, family high-street shoppers



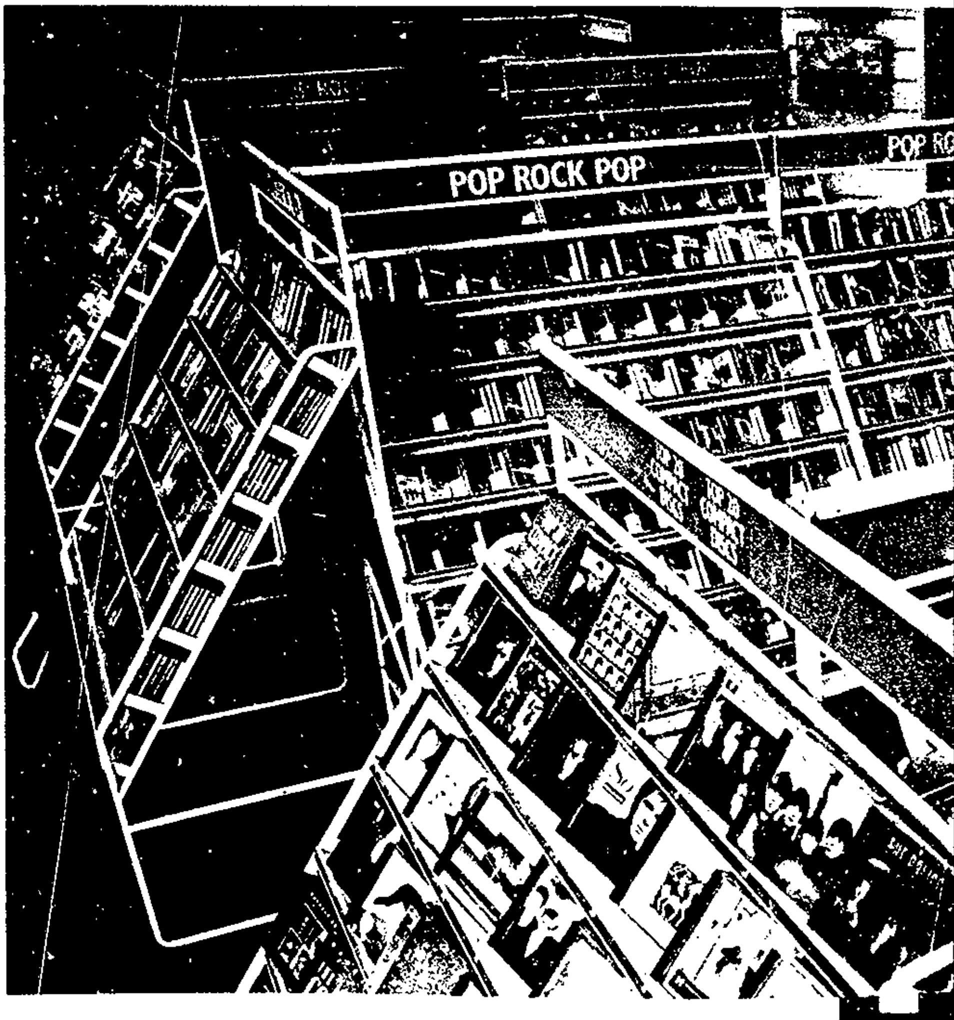
SELLING SPACE AT YEAR END
Woolworths
Square feet in millions

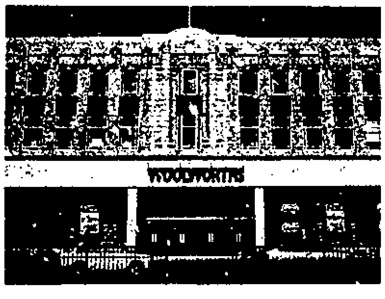
high-street homes and gardens retailer. And there is nothing 'woolly' about the chain that has sharply focused its merchandise into distinct areas, concentrating on those that have a leading position in the market, and moving out of those that do not.

Behind the dramatic transformation is a management whose priorities have been to support the radical re-merchandising of the stores with a wide range of improved systems and staff development programmes. Supply chain management, inventory control and electronic point-of-sale systems are being introduced rapidly to reduce costs and increase margins. New management and staff training programmes have been instituted to improve further efficiency, motivation and service.

Other developments for 1987 include the opening of

Greater space means greater choice. Recorded entertainment at Woolworths is not confined to the 'charts' anymore, but includes the total coverage of a full-blown record store.

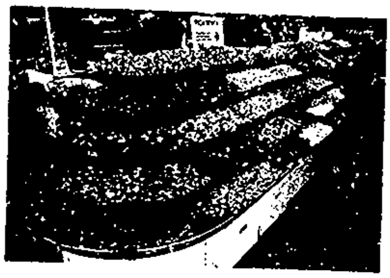




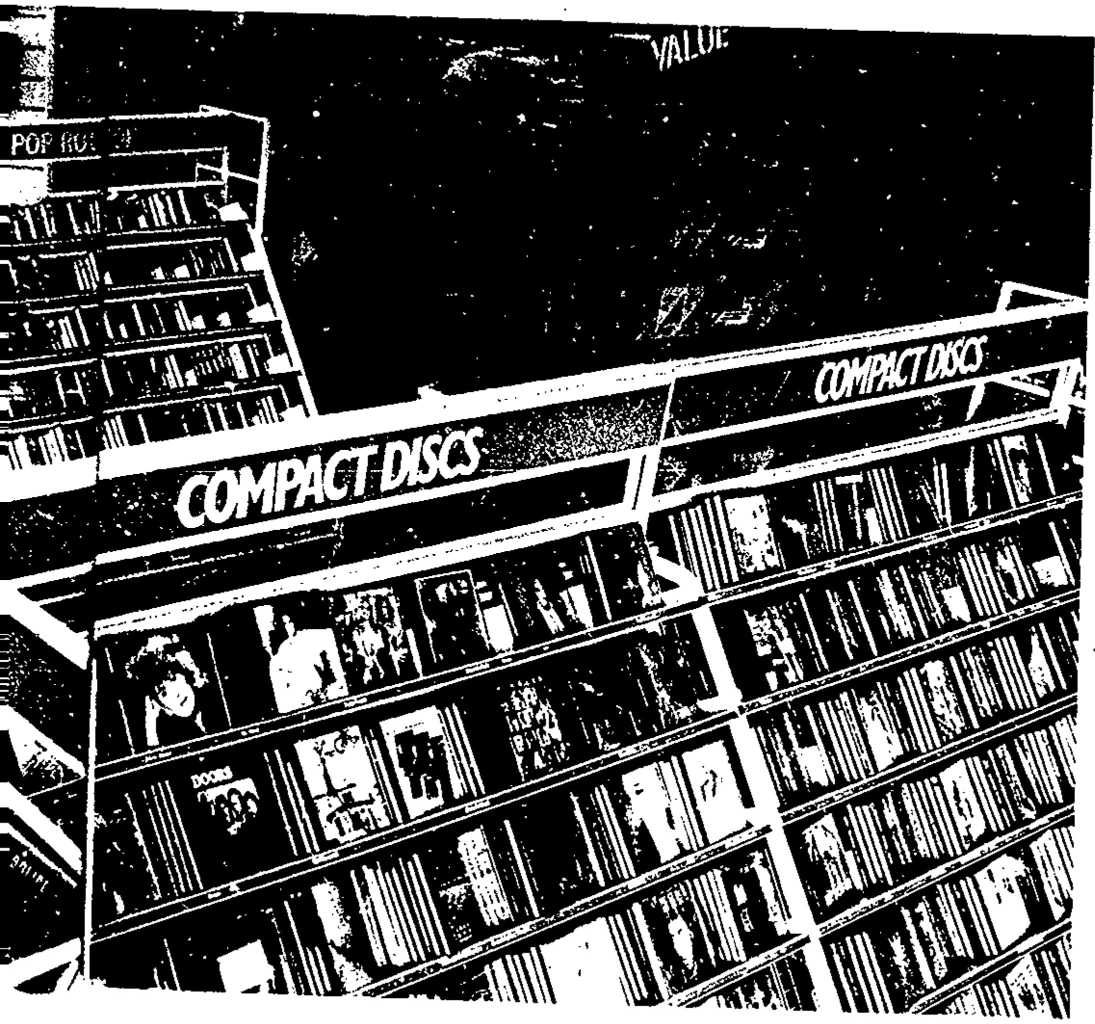
The changes at Woolworths are far more than cosmetic. But all the stores are receiving new fascia displays to signal the new high-street revolution.

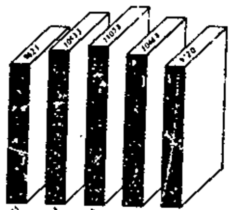
the first Kidstores, which will cater for the total needs of the 0-13 year olds, from clothes to entertainment. The refurbishment programme will continue during 1987. With a square footage amongst the largest of any retail chain in Britain, this task is enormous. For instance, to replace the shelving in all our stores would keep Europe's seven leading suppliers busy for four years. Already 1.6 million square feet have been converted and the customer is beginning to realise that Woolworths is quite suddenly a new and appealing force in the high-street shopping scene.

The turnaround in profitability of Britain's most famous retailer shows that Operation Focus is working well. From a loss three years ago, 1986/87 saw profits of £38.7 million on a turnover of £972 million. The full potential of the chain is yet to be realised.



Woolworths famous 'pic'n'mix' confectionery departments have always been a favourite of customers. Now they have been enlarged to accommodate even greater variety and choice.



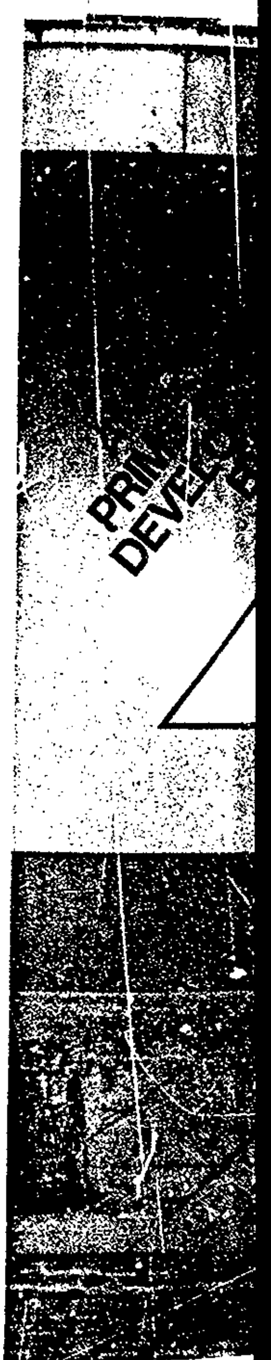


TURNOVER
Woolworths
Pounds in millions

WOOLWORTH PROPERTIES

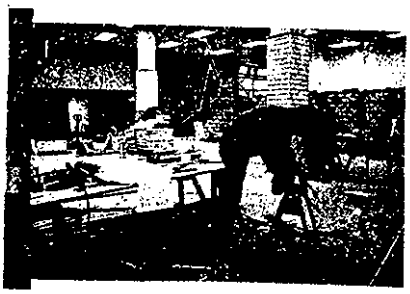
In 1986 Woolworth Properties took another step forward into becoming a business in its own right. It is responsible for a £700 million property investment in the largest portfolio of retail property square footage in Britain. In all there are 1,200 retail outlets and 14.5 million square feet whose freehold and long-lease interests are managed by the company.

Woolworth Properties is engaged in the actual or planned development of hundreds of thousands of square feet of retail space by the end of 1988



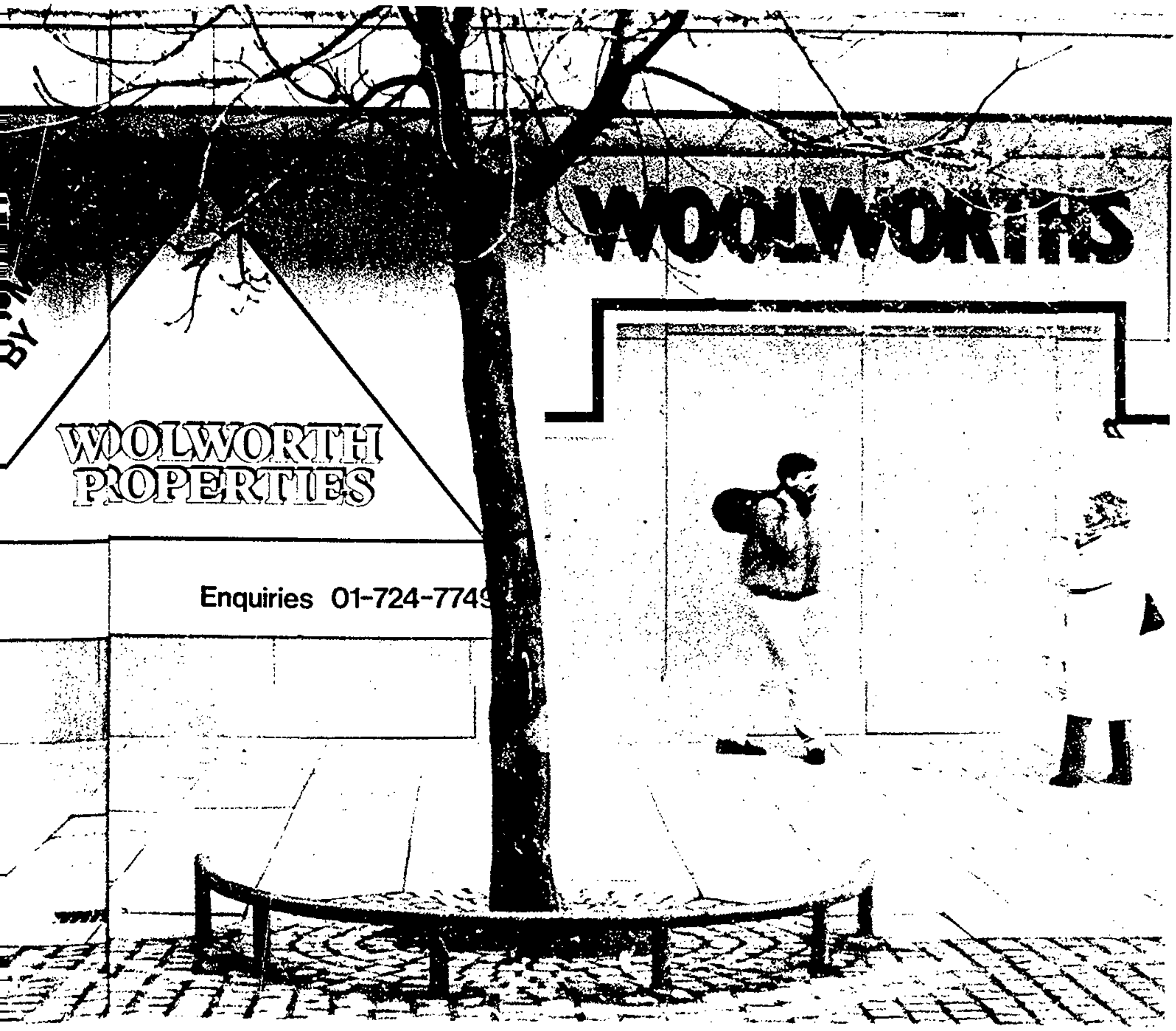
The move into active management of these properties is based on a three point programme. The first is the identification of parts of the portfolio which show real potential for development. To this end a joint venture was formed with Rosehaugh plc, a highly successful company and one of the new breed of property developers which have made their mark in management as well as investment in recent years. The Rosehaugh subsidiary Shearwater Property Holdings plc is now working with Woolworth Properties on a number of town-centre schemes. There is considerable potential in this respect and the development programme will accelerate during 1987, involving hundreds of thousands of square feet.

To create more prime selling space, Woolworth Properties is improving the quality and layout of Woolworths high-street stores across the country.



The second point in the programme is to streamline the financial structuring of a number of stores' leases to reduce the investment tied up in first-class sites. This may involve the sale of properties if the market offers a better way of valuing and managing particular properties.

Finally, Woolworth Properties is working actively with the managements of the retail companies in the development of new out-of-town sites. The expansion programme that both B&Q and Comet have undertaken represents the largest commitment of its kind in the retail business. With new Autocentres and Homecentres also coming on stream, property planning, investment and management play an important role in the ultimate success of these enterprises. In addition, there are a number of cities and towns where Woolworths stores are not represented and this presents opportunities for expansion. To this end, Woolworth Properties is engaged in the assessment of suitable properties to add to the portfolio.

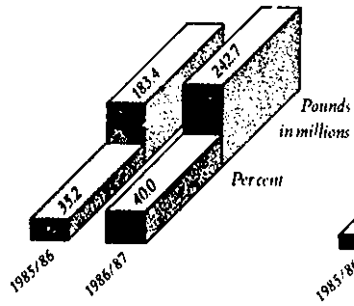


FOCUS ON RETAILING

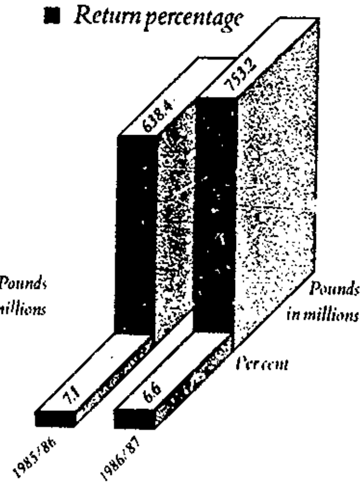
Return on Capital Employed

Our business consists of two main elements: retailing and property. The growing return on capital employed in retailing is an unequivocal demonstration of where the emphasis of our business lies. In addition to the return on capital employed in property, a proper indication of the strength of this side of the business is the increase in capital value.

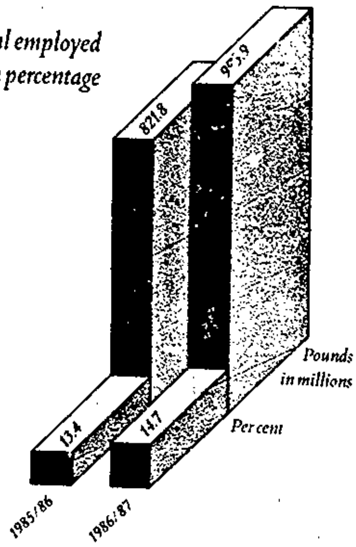
RETAIL
■ *Capital employed*
■ *Return percentage*



PROPERTY
■ *Capital employed*
■ *Return percentage*



GROUP
■ *Capital employed*
■ *Return percentage*



DIRECTORS' REPORT

For the financial year ended 31 January 1987

The directors present their report and the consolidated financial statements of the company and its subsidiaries for the financial year ended 31 January 1987.

PRINCIPAL ACTIVITIES

The group trades principally as retailers in stores in the United Kingdom through the B&Q, Comet and Woolworths chains. In addition, the group has extensive interests in property, which are actively managed for the benefit of the group.

RESULTS AND DIVIDENDS

The profit on ordinary activities of the group before taxation amounted to £115.3m and after taxation to £84.8m. After taking account of a net charge for extraordinary items of £16.0m (after taxation) the resultant profit for the financial year amounted to £68.8m.

Out of this profit, the directors propose the payment on 2 July 1987 of a dividend of 11p per existing 50p ordinary share (£20.0m) which, together with the interim dividend of 5p per share (£9.1m) paid on 9 October 1986, makes a total for the year of 16p per existing 50p ordinary share (£29.1m). The directors propose to transfer the retained profit of £39.7m to reserves.

A detailed review of the business and future developments can be found on pages 4 to 24.

PROPERTIES

Freehold and long leasehold properties occupied by B&Q and Comet were transferred to Woolworth Properties in February 1986.

In order to maximise the potential of a number of properties in the portfolio of over £700 million of property investments, the company formed a property development joint venture during the year with Rosehaugh plc. This joint venture will involve site appraisal and development of property. It allows the company to retain the profits created from any redevelopment and provides the opportunity to re-occupy all or part of the properties concerned.

FIXED ASSETS

During the year a valuation of the group's freehold and long leasehold properties was made and is included in the consolidated financial statements. Details of this, and changes to fixed assets, are shown in Note 14 to the financial statements.

SUBDIVISION OF SHARE CAPITAL

In order to increase the marketability of the shares it is proposed to divide each ordinary share of 50p into two 25p ordinary shares. A resolution to this effect will be put to the annual general meeting. If the resolution is approved shareholders will be sent new share certificates in respect of the 25p ordinary shares as replacements for their current certificates in respect of 50p ordinary shares.*

DIRECTORS' AUTHORITY TO ISSUE SHARES

At the annual general meeting in 1986 a special resolution was passed giving the directors

*The new certificates will be valid from 15 June 1987, nullifying existing certificates.

DIRECTORS' REPORT (CONTINUED)

a general authority to allot the unissued securities of the company. It also gave a limited authority to issue equity shares for cash notwithstanding the pre-emption provisions of Section 89 of the Companies Act 1985, which prohibits the issue of certain equity shares or securities for cash unless they have first been offered to existing equity shareholders. The limited authority so conferred empowered the directors to make such cash issues other than to equity shareholders, provided such issues did not exceed in aggregate an amount equal to 5 per cent of the authorised share capital of the company. It also contained provisions enabling the directors to take action to overcome certain practical difficulties which could arise in the case of a rights issue. The authority so conferred will expire on 3 June 1987 and it is proposed that it should be renewed so as to cease on the date of the next annual general meeting. A special resolution for this purpose is set out in the notice of annual general meeting.

During the course of the year, The Stock Exchange altered its rules with respect to shareholders' pre-emption rights where it is proposed to issue equity securities for cash. Previously, all such issues, other than to existing shareholders on a pro rata basis, needed specific shareholder consent by virtue of the rules of The Stock Exchange. The Stock Exchange does not now impose this requirement.

ACQUISITION OF SUBSIDIARIES

In November 1986 the group acquired for cash the entire share capital of Record Merchandisers Limited for £6.2m.

On 10 March 1987 the company announced a formal offer to acquire the entire share capital of Charlie Browns Car Part Centres plc for the sum of £19.2m. This offer is recommended by directors of that company controlling not less than 55 per cent of its issued ordinary share capital.

EMPLOYEE INVOLVEMENT

The board regards employee involvement and effective communication as being essential to foster good employee relations, to achieve improved performance and productivity, to enhance the quality of working life, and to gain commitment to the company's business objectives.

Within that framework it is a matter for the board of each individual operating company to decide what arrangements best suit its operation, bearing in mind the relative size and style of each company, and their particular employees' needs.

However, the prime method of communication and involvement throughout the group is the normal day-to-day process of briefing employees through line management.

There is a group savings-related share option scheme for employees at all levels in the U.K. This was introduced in June 1983 and has a relatively high level of participation.

DIRECTORS' REPORT (CONTINUED)

Since the scheme was established in 1983 there have been many changes in the group, as a consequence of which a review of the scheme's eligibility provisions has recently been carried out. Accordingly, shareholders are now being asked to approve amendments to the scheme which will allow staff with a contractual working week of at least 35 hours to join the scheme after one year (previously 3 years). In addition, those with a contractual working week of at least 16 hours will be allowed to join after three years, compared with the current arrangements where those with a working week of between 16 and 21 hours can only join after 10 years. These proposals are set out in item 4 (2) of the notice convening the annual general meeting.

All of these measures are continuing to achieve a common awareness on the part of our employees of the financial and economic factors affecting their particular operating companies and the performance of the group in general.

DISABLED PERSONS

It is the group's policy to give full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

MAJOR SHAREHOLDERS

As at 23 March 1987* the company register of substantial shareholdings showed the following interest in 5 per cent or more of the company's shares.

	Ordinary Shares Number	%
Prudential Corporation plc group of companies	13,894,000	7.6

On 17 March 1987 Dixons Group plc notified the company that its interest in the shares of the company had been reduced to 1 million shares (0.55 per cent).

DIRECTORS' INTERESTS

The directors' interests in shares and loan capital of the company are shown in Note 21 to the financial statements. No director had any interest in any shares or loan capital of any other group company.

No director was or is materially interested in any contract subsisting during or at the end of the financial year which was significant in relation to the company's business.

BOARD OF DIRECTORS

The names of the directors and secretary of the company are shown on page 3.

During the year the board reviewed its committee structure and established, amongst others, the following main committees: Audit, Finance, Management Development, Policy and Remuneration.

*Between 23 March 1987 and 5 April 1987, the company has not been notified of any changes to this shareholding. As at 5 April 1987 this is the only substantial shareholding in the company's register of such holdings.

DIRECTORS' REPORT (CONTINUED)

APPOINTMENT AND RESIGNATION OF DIRECTORS

Mr. M. R. Parkinson, Mr. A. J. Norman and Lady Howe were appointed as directors of the company on 1 August 1986, 12 September 1986 and 5 December 1986 respectively.

In accordance with Article 97 of the Articles of Association Mr. M. R. Parkinson, Mr. A. J. Norman and Lady Howe hold office only until the next annual general meeting and, being eligible, offer themselves for re-election. Mr. M. R. Parkinson and Mr. A. J. Norman have service contracts which are terminable by the company upon 36 months' notice and upon 12 months' notice by each director.

In accordance with Article 91 of the Articles of Association Sir Nigel Mobbs and Mr. M. J. Hollingbery retire by rotation and, being eligible, offer themselves for re-election.

Mr. J. R. Harker, Mr. C. N. Brown, Mr. P. Firmston-Williams, CBE and Mr. B. S. Pickering resigned as directors of the company on 30 September 1986, 30 November 1986, 5 December 1986 and 31 December 1986 respectively.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Donations paid by the company and its subsidiaries for charitable purposes amounted to £135,000.

The company made the following payment for political purposes: Conservative Board of Finance £25,000.

TAXATION STATUS

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

AUDITORS

Deloitte Haskins & Sells have indicated their willingness to accept re-appointment as auditors of the company for a further term and a resolution proposing their re-appointment will be put to the annual general meeting.

By order of the board
Tim Clement-Jones.
Secretary.

24 March 1987.

AUDITORS' REPORT

To the members of Woolworth Holdings plc

We have audited the financial statements on pages 30 to 46 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 January 1987 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

DELOITTE HASKINS & SELLS, Chartered Accountants.
London, 24 March 1987.

WOOLWORTH HOLDINGS PLC AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 January 1987

	Notes	1987 £m	1986 £m
Turnover		1,828.0	1,757.0
Retail profit			
B & Q		45.5	33.1
Comet		17.4	11.9
Woolworths		38.7	17.6
Other		(4.6)	(0.6)
		97.0	62.0
Property income	2	49.4	48.0
Net interest payable	3	(31.1)	(28.7)
Profit on ordinary activities before taxation	6	115.3	81.3
Taxation	9	(30.5)	(16.2)
Profit on ordinary activities after taxation		84.8	65.1
Extraordinary items	10	(16.0)	(29.1)
Profit for the financial year		68.8	36.0
Dividends	12	(29.1)	(17.8)
Retained profit for the year	22	39.7	18.2
Earnings per share	13	47.1p	37.7p
Fully diluted earnings per share	13	42.2p	

WOOLWORTH HOLDINGS PLC AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

At 31 January 1987

	Notes	1987 £m	1987 £m	1986 £m	1986 £m
Fixed assets					
Tangible assets	14		971.5		806.0
Investments	16		1.2		3.3
			972.7		809.3
Current assets					
Stock		335.1		279.6	
Debtors	17	84.6		65.1	
Cash at bank and in hand		42.7		70.9	
		462.4		415.6	
Creditors					
Amounts falling due within 1 year	18	(518.4)		(417.6)	
Net current liabilities			(56.0)		(2.0)
Total assets less current liabilities			916.7		807.3
Creditors					
Amounts falling due after more than 1 year	19		(249.6)		(243.5)
Provision for liabilities and charges					
Deferred taxation	20		(0.7)		13.2
			666.4		577.0
Capital and reserves					
Called up share capital	21		90.9		89.1
Share premium account	22		16.5		14.6
Revaluation reserve	22		394.8		341.4
Profit and loss account	22		164.2		131.9
			666.4		577.0

Approved by the board   *G. J. Mulcahy, Director*
24 March 1987   *A. J. Norman, Director*

WOOLWORTH HOLDINGS PLC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the financial year ended 31 January 1987

	Notes	1987 £m	1987 £m	1986 £m	1986 £m
SOURCE OF FUNDS					
Arising from trading					
Profit on ordinary activities		115.3		81.3	
Less surplus on disposals of land and buildings		(6.2)		(2.7)	
Depreciation	5	28.3		21.2	
			137.4		99.8
Funds from other sources					
Disposals of tangible assets		44.2		12.8	
Movement on property debtors		(5.1)		13.5	
Shares issued		3.7		12.1	
Exchange differences on net current assets		1.3		(0.1)	
Investments		(0.2)		1.1	
			43.9		39.4
			181.3		139.2
APPLICATION OF FUNDS					
Increase in working capital					
Stock		48.8		16.9	
Debtors		8.0		(4.3)	
Creditors		(41.8)		(29.9)	
		15.0		(17.3)	
Other applications					
Purchase of subsidiary	23	6.2		0.7	
Purchases of tangible assets		175.9		123.5	
Extraordinary cash item		18.0		4.9	
Payment of taxation		20.3		13.0	
Dividends paid		21.6		15.0	
Expenses of loan stock issue				3.1	
			257.0		142.9
INCREASE IN BORROWINGS			75.7		3.7
MOVEMENT IN BORROWINGS					
At beginning			(258.0)		(254.3)
Subsidiary at acquisition			4.9		
At end:					
current instalments due on loan notes		1.0		1.8	
bank overdrafts		123.8		85.3	
loan stock		146.7		241.8	
bank loans		100.0			
cash at bank and in hand		(42.7)		(70.9)	
			328.8		258.0
			75.7		3.7

WOOLWORTH HOLDINGS PLC

BALANCE SHEET

At 31 January 1987

	Notes	1987 £m	1987 £m	1986 £m	1986 £m
Fixed assets					
Tangible Assets	14		0.4		
Investments	16		344.8		344.8
			345.2		344.8
Current assets					
Debtors	17	927.1		455.6	
Cash at bank and in hand		3.6		30.5	
		930.7		486.1	
Creditors					
Amounts falling due within 1 year	18	(569.4)		(442.4)	
Net current assets			361.3		43.7
Total assets less current liabilities			706.5		388.5
Creditors					
Amounts falling due after more than 1 year	19		(246.7)		(241.8)
Provision for liabilities and charges					
Deferred taxation	20		7.1		9.8
			466.9		156.5
Capital and reserves					
Called up share capital	21		90.9		89.1
Share premium account	22		16.5		14.6
Profit and loss account	22		359.5		52.8
			466.9		156.5

Approved by the board *G. J. Mulcahy, Director*
24 March 1987 *A. J. Norman, Director*

1986
£m
99.8
39.4
139.2
142.9
3.7
(254.3)
258.0
3.7

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Accounting conventions.

The financial statements of the company and the majority of its subsidiaries are made up to the nearest Saturday to 31 January each year. In order to avoid delay in presenting the consolidated financial statements, those of Woolworth International Limited and its subsidiaries are made up to the nearest Saturday to 31 October each year.

The financial statements of the company and its subsidiaries are prepared under the historical cost convention, except for certain land and buildings which are included in the financial statements at valuation.

Basis of consolidation.

The consolidated financial statements incorporate the financial statements of the company, its subsidiaries and related companies, except in the case of overseas companies where there are significant exchange control restrictions on the remittance of funds. These companies are dealt with as investments and profits are included in the consolidated profit and loss account when remittances are received.

Goodwill.

Goodwill arising on the acquisition of subsidiary companies is charged to reserves in the year of acquisition.

Depreciation.

Depreciation of fixed assets is provided where it is necessary to reflect a reduction from book value to estimated residual value over the useful life of the asset to the group. It is the group's policy to maintain its properties in a state of good repair in order to prolong their useful lives, and in the case of freehold and long leasehold properties the directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties.

Depreciation of other fixed assets is calculated by the straight line method and the annual rates applicable to the principal categories are:

Short leaseholds	– over remaining period of the lease
Tenants improvements	– over estimated useful life
Tenants fixtures	– between 10% and 15%
Computers and electronic equipment	– 20%
Motor cars	– 25%
Commercial vehicles	– 33⅓%

Depreciation calculated on the revalued book values of short leasehold buildings is charged in arriving at the profit on ordinary activities before taxation.

Disposal of land and buildings.

The surplus or deficit on disposal of land and buildings represents the difference between the net proceeds and the original cost of the land and buildings less depreciation to the date of disposal based on that cost and is shown after charging expenses attributable to the closure.

Leased assets.

The value of assets held under finance leases is not material and compliance with SSAP 21 in respect of these assets is therefore not required.

The commitment to payments in the next financial year in respect of assets held under operating leases – including all leasehold properties – is reported in Note 25.

All lease payments are charged to profit and loss account in the financial year to which the payment relates.

Capitalisation of interest.

Interest incurred on borrowings to finance major property developments is included in the cost of the project.

Foreign currencies

The assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at th year end. Profits and losses of overseas subsidiaries are translated into sterling at the average monthly rates of exchange during the year. All gains and losses arising from translation are dealt with through reserves.

Exchange differences arising from the translation into sterling of foreign currency monetary assets and liabilities of individual companies which are translated at the rates of exchange ruling at the year end and differences arising on foreign currency transactions completed during the year, are dealt with through the profit and loss account.

Stock

Stock is stated at the lower of cost and net realisable value.

Pensions

The group operates several defined benefit pension schemes for its employees. In each case a separate fund is being accumulated to meet the accruing liabilities. The assets of these funds are all held under trusts, which are entirely separate from the company's assets. The pension costs included in the profit and loss account reflect the benefits accruing each year to the members of the scheme and they are equal in amount to the contributions paid to the respective pension schemes. The rates of contribution payable by the companies are assessed at least once every three years by independent actuaries.

Deferred taxation

Provision is made for deferred taxation except where the directors consider that it is unlikely to become payable in the foreseeable future; short term timing differences are accounted for at the rate of taxation for the financial year in which they will reverse.

Turnover

Turnover is retail sales and services supplied excluding value added tax.

2 PROPERTY INCOME

	1987	1986
	£m	£m
Rental	43.2	45.3
Surplus on disposal of land and buildings	6.2	2.7
	49.4	48.0

Freehold and long leasehold properties occupied by B&Q and Comet were transferred to Woolworth Properties in February 1986, and comparative figures for 1986 have been restated to reflect the equivalent internal rental which would have been charged in that year in determining retail profit and rental income.

3 NET INTEREST PAYABLE

	1987	1986
Interest payable:	£m	£m
Bank loans and overdrafts		
repayable within 5 years other than by instalments	25.9	26.9
repayable after 5 years	12.4	7.8
	38.3	34.7
Less interest capitalised	(4.9)	(2.9)
	33.4	31.8
Less interest receivable	(2.3)	(3.1)
	31.1	28.7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES

	1987 £m	1986 £m
Turnover	1828.0	1757.0
Cost of sales	(1226.3)	(1238.3)
Gross profit	601.7	518.7
Selling expenses	(392.8)	(366.2)
Administrative expenses	(79.3)	(58.7)
Other operating income	16.7	15.2
Dividends from subsidiaries not consolidated	0.1	0.9
Proportion of profits of related company		0.1
	146.4	110.0
Net interest payable	(31.1)	(28.7)
Profit on ordinary activities before taxation	115.3	81.3

5 DEPRECIATION

	1987 £m	1986 £m
Land and buildings	2.3	1.6
Fixtures, fittings and equipment	26.0	19.6
	28.3	21.2

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987 £m	1986 £m
Profit on ordinary activities before taxation is stated after crediting:		
Rental income	2.1	1.7
and after charging:		
Auditors' remuneration	0.3	0.3
Lease payments:		
Finance leases – plant and equipment	0.7	0.9
Operating leases – land and buildings	30.3	26.4
– plant and equipment	3.7	2.7

During the financial year ended 2 February 1985 Woolworth Holdings plc acquired the entire share capital of Comet Group PLC and the transaction was treated as a merger under the terms of S.37 of the Companies Act 1981. The loss included in the current year's consolidated profit and loss account, which arises on the disposal of fixed assets held by Comet Group PLC at the date of acquisition, amounts to £ nil (1986 loss £0.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES

	1987	1986
	£m	£m
Turnover	1828.0	1757.0
Cost of sales	(1226.3)	(1238.3)
Gross profit	601.7	518.7
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Dividends from subsidiaries not consolidated	0.1	0.9
Proportion of profits of related company		0.1
	146.4	110.0
Net interest payable	(31.1)	(28.7)
Profit on ordinary activities before taxation	115.3	81.3

5 DEPRECIATION

	1987	1986
Land and buildings	2.3	1.6
Fixtures, fittings and equipment	26.0	19.6
	28.3	21.2

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987	1986
Profit on ordinary activities before taxation is stated after crediting:		
Rental income	2.1	1.7
and after charging:		
Auditors' remuneration	0.3	0.3
Lease payments:		
Finance leases – plant and equipment	0.7	0.9
Operating leases – land and buildings	30.3	26.4
– plant and equipment	3.7	2.7

During the financial year ended 2 February 1985 Woolworth Holdings plc acquired the entire share capital of Comet Group PLC and the transaction was treated as a merger under the terms of S.37 of the Companies Act 198_. The loss included in the current year's consolidated profit and loss account, which arises on the disposal of fixed assets held by Comet Group PLC at the date of acquisition, amounts to £ nil (1986 loss £0.3m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 EMPLOYEES

	1987	1986
	£m	£m
Staff costs:		
Wages and salaries	227.2	211.7
Social security costs	14.9	15.9
Other pension costs	5.8	9.6
	247.9	237.2
Average number of persons employed:	Number	Number
Stores	46,702	51,174
Distribution	1,010	942
Administration	2,823	2,417
	50,535	54,533
If all the employees had worked full time it is estimated that the average number of employees would have been	33,967	35,526

8 DIRECTORS

	1987	1986
	£000	£000
Staff costs include the following remuneration of directors:		
Total emoluments (including pension contributions)	1,289	1,029
Payments in respect of loss of office	477	
	1,766	1,029
Directors' remuneration includes amounts paid (excluding pension contributions) to the Chairman as follows:		
J.M. Beckett	28	144
Sir Kenneth Durham	52	

In 1986 J. M. Beckett was also the highest paid director.

In 1987 the remuneration of the highest paid director was £289,000 (excluding pension contributions). The number of other directors whose emoluments (excluding pension contributions) during the period of their appointment as directors were within the following bands was:

	1987	1986		1987	1986
	Number	Number		Number	Number
£1 – £5,000	2	1	£75,001 – £80,000		2
£10,001 – £15,000	3	2	£80,001 – £85,000	1	2
£15,001 – £20,000		1	£95,001 – £100,000	1	
£35,001 – £40,000		1	£120,001 – £125,000		1
£50,001 – £55,000	1		£140,001 – £145,000	1	
£60,001 – £65,000		1	£165,001 – £170,000	1	
£65,001 – £70,000	3	2			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1987 £m	1986 £m
Taxation charge on profit on the ordinary activities of the group for the year:		
United Kingdom corporation tax at 35.8% (1986 40.8%)	24.6	15.2
Relief for double taxation	(0.2)	(0.8)
	24.4	14.4
Overseas taxation	0.5	0.6
Deferred taxation	4.9	(0.4)
	29.8	14.6
Prior year adjustments	0.7	1.6
	30.5	16.2

The taxation charge has been reduced by utilisation of taxation losses brought forward amounting to £0.3m, timing differences not provided for amounting to £9.5m including £6.2m in respect of property disposals on which tax is expected to be permanently deferred due to rollover relief, and advance corporation tax previously written off amounting to £0.9m.

10 EXTRAORDINARY ITEMS

	1987 £m	1986 £m
Costs of bid defence	18.0	
Loss on disposal of interests in businesses	0.1	4.6
Provision for costs of closure of a business segment		32.6
	18.1	37.2
Less attributable tax relief	(2.1)	(8.1)
	16.0	29.1

11 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 228(7) of the Companies Act 1985, Woolworth Holdings plc has not presented its own profit and loss account. The amount dealt with in the financial statements of the holding company was £335.8m (1986 £33.9m)

12 DIVIDENDS

	1987 £m	1986 £m
Interim paid	9.1	5.3
Final proposed	20.0	12.5
	29.1	17.8

13 EARNINGS PER SHARE

The calculation of earnings per share is based on profit on ordinary activities after taxation of £84.8m (1986 £65.1m) and the weighted average number of shares in issue during the year and ranking for dividend of 180,002,503 (1986 – 172,847,514 shares).

Fully diluted earnings per share allows for the full exercise of all outstanding options and conversion of loan stock and is based on adjusted earnings of £94.1m on 223,001,762 shares.

14 TANGIBLE FIXED ASSETS

	Land and buildings	Fixtures, fittings and equipment	Payments on account and assets in course of construction	Total
Group	£m	£m	£m	£m
Cost or valuation:				
At 1 February 1986	605.9	213.3	52.0	871.2
Reclassification	(0.2)		0.2	
Exchange differences	(0.1)		(0.1)	(0.2)
Additions	78.7	93.9	3.3	175.9
Business at date of acquisition		3.0		3.0
Disposals	(41.1)	(32.9)		(74.0)
Revaluation	75.1			75.1
At 31 January 1987	718.3	277.3	55.4	1051.0
Depreciation:				
At 1 February 1986	3.0	62.2		65.2
Charge for year	2.3	26.0		28.3
Business at date of acquisition		1.6		1.6
Disposals	(0.2)	(15.4)		(15.6)
At 31 January 1987	5.1	74.4		79.5
Net book amount:				
At 31 January 1987	713.2	202.9	55.4	971.5
At 1 February 1986	602.9	151.1	52.0	806.0

Land and buildings:	Freehold	Long leasehold	Short leasehold	Total 1987	Total 1986
	£m	£m	£m	£m	£m
At valuation – 1987	429.9	128.1		558.0	563.1
– 1984			36.1	36.1	37.6
At cost	105.0	13.8	5.4	124.2	5.2
	534.9	141.9	41.5	718.3	605.9
Aggregate depreciation			5.1	5.1	3.0
Net book amount:					
At 31 January 1987	534.9	141.9	36.4	713.2	
At 1 February 1986	417.9	145.2	39.8		602.9
If land and buildings had not been revalued, they would have been included at the following:					
Cost				285.5	228.1
Aggregate depreciation				9.1	8.6
Net amount				276.4	219.5

During the year the directors commissioned an external professional valuation of the majority of the group's freehold and long leasehold properties. Based on the results of that valuation, there has been an internal valuation, on the basis of open market value for existing use, carried out by qualified valuers employed by the group. On that basis the freehold and long leasehold properties have been revalued as at 31 January 1987, resulting in an increase of £75.1m. This has been placed to revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Fixtures, fittings and equipment 1987
Company	£m
Cost:	
Additions	0.5
At 31 January 1987	0.5
Depreciation:	
Charge for year	0.1
At 31 January 1987	0.1
Net book amount:	
At 31 January 1987	0.4
At 1 February 1986	

15 CAPITAL COMMITMENTS

	Group		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
Contracted	19.6	12.5		
Authorised but not contracted	106.6	46.3		

16 FIXED ASSET INVESTMENTS

	Unconsolidated subsidiaries		Related company	
	Investments	Loans	Investments	Total
	£m	£m	£m	£m
Group				
Cost:				
At 1 February 1986	2.0	0.1	0.1	2.2
Exchange adjustments	(1.1)			(1.1)
Increase		0.2		0.2
At 31 January 1987	0.9	0.3	0.1	1.3
Share of post acquisition reserves:				
At 1 February 1986	1.2		(0.1)	1.1
Disposed in year	(1.2)			(1.2)
At 31 January 1987			(0.1)	(0.1)
Net book amount:				
At 31 January 1987	0.9	0.3		1.2
At 1 February 1986	3.2	0.1		3.3

Unconsolidated subsidiaries (see Note 1):

The financial statements of the Zimbabwean and Jamaican subsidiaries are not consolidated into the group financial statements and are dealt with as investments. These companies are shown in the consolidated balance sheet at the book amount of their net assets as at 30 June 1969 for F. W. Woolworth & Co., (Zimbabwe) (Private) Limited and as at 31 October 1982 for F. W. Woolworth and Co., (Jamaica) Limited.

In the opinion of the directors, the aggregate value of the shares in the unconsolidated subsidiaries and related company, and the net amounts owing from these companies, is not less than the aggregate of the amounts at which they are stated in the consolidated balance sheet.

	Investments in group companies	
	1987	1986
Company	£m	£m
At cost	344.8	344.8

Interest in group companies

The group held the entire issued capital of the following principal trading companies at 31 January 1987:

	Activity	Country of Incorporation
*Woolworths public limited company	Retail	England
Record Merchandisers Limited	Wholesale	England
Woolworth Services Limited	Insurance	Guernsey
*B & Q (Retail) Limited	Retail	England
John Le Sueur (Homes & Gardens) Limited	Retail	Jersey
Thornes Supplies Limited	Retail	Guernsey
*Woolworth International Limited	Investment holding	England
F. W. Woolworth & Co., (Barbados) Limited	Retail	Barbados
F. W. Woolworth and Co., (Jamaica) Limited	Retail	Jamaica
F. W. Woolworth & Co., (Zimbabwe) (Private) Limited	Retail	Zimbabwe
Woolworth Exports (Ireland) Limited	Wholesale	Rep. of Ireland
*Woolworth Properties Limited	Property investment	England
Woolworth Properties (Group Investment) Limited	Property investment	England
*Comet Group PLC	Investment holding	England
Comet Radiovision Services Ltd.	Retail	England
R. P. Carmichael & Company Ltd.	Retail	England
Expedite Publicity Ltd.	Printing	England

*Held directly by Woolworth Holdings plc

Except for Woolworths public limited company, B & Q (Retail) Limited and Comet Group PLC, which have ordinary and deferred shares in issue, the shares are of one class.

All group companies operate in the countries of incorporation.

17 DEBTORS

	Group		Company	
	1987	1986	1987	1986
	£m	£m	£m	£m
Amounts falling due within 1 year:				
Trade debtors	40.5	39.7		
Amounts owed by group companies			922.4	455.4
Amounts owed by related and unconsolidated companies	2.4	0.2		
Property debtors	6.0	0.9		
Other debtors	6.2	3.9	0.5	
Prepayments	29.5	20.4	4.2	0.2
	84.6	65.1	927.1	455.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 CREDITORS

	Group 1987	Group 1986	Company 1987	Company 1986
	£m	£m	£m	£m
Amounts falling due within 1 year:				
Current instalments due on loan notes	1.0	1.8	1.0	1.8
Bank loans and overdrafts	123.8	85.3	95.8	4.9
Payments received on account	3.3	3.2		
Trade creditors	195.1	136.8		
Amounts owed to group companies			436.2	410.5
Amounts owed to related and unconsolidated companies			0.8	
Corporation tax	20.0	26.9	6.9	5.0
Other taxation and social security	38.1	30.6	1.0	
Other creditors	59.7	48.1		
Provision for extraordinary costs		27.7		
Accruals and deferred income	57.4	44.7	7.7	7.7
Proposed dividend	20.0	12.5	20.0	12.5
	518.4	[illegible]7.6	569.4	442.4

19 CREDITORS

	Group 1987	Group 1986	Company 1987	Company 1986
Amounts falling due after more than 1 year:				
Loan stock	146.7	241.8	146.7	241.8
Bank loans	100.0		100.0	
Corporation tax	2.9	1.7		
	249.6	243.5	246.7	241.8
Loan stock:				
14% unsecured loan stock 1987/89 redeemable on or at any time after 31 January 1987 but in any event by 31 December 1989		95.0		95.0
11% convertible unsecured loan stock 1989 convertible in July in any of the years 1985 to 1989 into fully paid ordinary share capital of the company. All convertible stock not previously redeemed, purchased or converted will be redeemed on 31 December 1989 at par	0.4	0.5	0.4	0.5
8½% convertible unsecured loan stock 2000 convertible in any of the years 1988 to 2000 into fully paid ordinary share capital of the company. The stock, unless previously converted, redeemed or purchased by the company, will be repaid at par on 31 October 2000	146.3	146.3	146.3	146.3
	146.7	241.8	146.7	241.8

The 14% unsecured loan stock 1987/89 was redeemed on 31 January 1987 at par.

	Group 1987	Group 1986	Company 1987	Company 1986
Bank loans:				
Bills of exchange payable	100.0		100.0	

Bills of exchange payable are short term bills of exchange drawn under a long term bank facility. On payment, these bills can be replaced at the company's option by further bills or other forms of bank lending.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 PROVISION FOR LIABILITIES AND CHARGES

	Group 1987	Group 1986	Company 1987	Company 1986
	£m	£m	£m	£m
Deferred taxation				
Amount not provided:				
Accelerated capital allowances	52.5	31.0		
Chargeable gains on revaluation of properties	135.2	101.4		
	187.7	132.4		
Amount provided:				
Accelerated capital allowances	0.1	0.4		
Chargeable gains on properties		1.8		
Advance corporation tax	(7.4)	(7.4)	(7.4)	(7.4)
Short-term timing differences	3.0	(11.2)	0.3	(2.4)
Other provisions	5.0	3.2		
	0.7	(13.2)	(7.1)	(9.8)

	Group 1987	Company 1987
	£m	£m
The movement on the amount provided for deferred taxation is:		
At 1 February 1986	(13.2)	(9.8)
Utilised in year	12.4	7.4
Provided from profit and loss account	8.9	2.7
Advance corporation tax recoverable	(7.4)	(7.4)
At 31 January 1987	0.7	(7.1)

21 CALLED UP SHARE CAPITAL

	Number of shares	1987	1986
		£m	£m
Authorised			
Ordinary shares of 50p each:			
At 31 January 1987	250,000,000	125.0	125.0
Allotted, called up and fully paid			
Ordinary shares of 50p each:			
At 1 February 1986	178,226,920	89.1	40.5
Issued:			
Options exercised under Group Sharesave Scheme (1983) at between £1.06 and £5.52	273,431	0.1	
Options exercised under Group Executive Share Option Scheme (1983) at between £1.13 and £4.90	1,932,705	1.0	
Options exercised at 74p per share	1,166,864	0.6	3.3
Capitalisation			40.6
Conversion of 11% Loan Stock	133,332	0.1	4.7
At 31 January 1987	181,733,252	90.9	89.1

Full conversion of the 8½% convertible unsecured loan stock 2000 and the remaining 11% convertible unsecured loan stock 1989 would result in the issue by the company of 33,419,867 ordinary shares (1986 – 33,533,199 shares).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Directors' interests†

The directors who held office at 31 January 1987 had the following interests in shares of the company:

	Ordinary shares of 50p each		Options for ordinary shares of 50p each				
	At 31/1/87	At 1/2/86	At 1/2/86	Exercised 17/9/86	Granted on 21/4/86	Granted on 23/10/86	At 31/1/87
			(a)		(b)	(c)	
Sir Kenneth Durham						40,336	40,336
G J Mulcahy	65,238		264,801	(194,238)	20,000	46,973	137,536
A D Hurst-Brown	10,000	10,000					
M J Hollingbery							
Beneficial	415,264	415,264					
Non-beneficial	237,818	240,264					
Lady Howe							
Sir Nigel Mobbs							
A J Norman	810	0*	0*			67,226	67,226
M R Parkinson	67,748	4,180*	99,272*	(63,568)		49,047	84,751
D W M Pretty			60,942		15,833	10,084	86,859
N Whittaker	5,000		178,669	(141,264)		50,358	87,763

(a) Exercisable on varying dates through to 1995 at prices between £1.13 and £4.90 per share.

(b) Exercisable from 1989 to 1996 at £6.00 per share.

(c) Exercisable from 1989 to 1996 at £5.95 per share.

*At date of appointment.

The following directors had interests in the company's loan stock and loan notes:

	8.5% Convertible Unsecured Loan Stock 2000		Unsecured Loan Notes 1985/91	
	31/1/87	1/2/86	31/1/87	1/2/86
	£	£	£	£
M J Hollingbery				
Beneficial	1,690	352,974		4,057
Non-beneficial	202,145	202,145		
Sir Nigel Mobbs				
Non-beneficial	20,400			
M R Parkinson				
Beneficial	3,553	3,553*		

No other director had any beneficial interest during the period in any loan stock of the company or in any shares or loan stock of any other group company.

*At date of appointment.

† Between 31 January 1987 and 5 April 1987 there have been no changes to the directors' interests shown above.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Share options

Options to subscribe for ordinary shares of 50p, including those noted in directors' interests above, are outstanding as follows:

	Subscription Price per share	Period within which options are exercisable	Number of shares for which rights are exercisable 31/1/87	1/2/86	Date options granted
Founders Options					
M V Blank	£0.74	1985 to 1987	233,278	483,278	18/10/82
Group Executive Share Option Scheme (1983)	£1.13	1986 to 1990	541,372	2,371,330	20/7/83
	£2.25	1987 to 1991	321,570	343,788	4/4/84
	£2.52	1987 to 1994	18,458	47,904	8/5/84
	£2.52	1987 to 1994	837,560	876,792	23/10/84
	£4.10	1988 to 1995	277,248	296,430	13/5/85
	£4.90	1988 to 1995	175,825	178,641	23/10/85
	£6.00	1989 to 1996	288,572		21/4/86
	£5.95	1989 to 1996	887,668		23/10/86
Group Sharesave Scheme (1983)	£1.06	1988 to 1989	3,413,134	5,168,011	22/7/83
	£2.10	1989	79,635	111,851	12/4/84
	£3.28	1990	353,572	442,930	24/4/85
	£5.52	1991	420,751		21/4/86
			7,848,643		

Under the Group Executive Share Option Scheme (1983) and the Group Sharesave Scheme (1983) the directors are empowered to grant options on up to 10 per cent of the issued share capital from time to time subject to an overall maximum of 27,348,648 shares (which number may be altered on a variation of capital). Under the Group Sharesave Scheme (1983) eligible employees can enter into an Inland Revenue approved saving contract with the Department of National Savings or a building society for a period of 5 years, whereby shares may only be subscribed under this scheme with repayments under this contract.

The rules of the Group Executive Share Option Scheme (1983) and the Group Sharesave Scheme (1983) include provision for early exercise of the options in the event of certain exceptional circumstances.

22 RESERVES

	Share premium account	Revaluation reserve	Profit and loss account
Group	£m	£m	£m
At 1 February 1986	14.6	341.4	131.9
Shares issued under option schemes	1.9		
Retained profit for the year			39.7
Surplus on revaluation of land and buildings		75.1	
Depreciation on revalued portion of buildings		(1.2)	1.2
Prior year property revaluation surplus now realised		(20.5)	
Exchange differences			(1.1)
Goodwill written off			(7.5)
At 31 January 1987	16.5	394.8	164.2

	Share premium account	Profit and loss account
	£m	£m
Company		
At 1 February 1986	14.6	52.8
Shares issued under option schemes	1.9	
Retained profit for year		306.7
At 31 January 1987	16.5	359.5

23 ANALYSIS OF ACQUISITION OF SUBSIDIARY

	£m
Fixed assets	1.4
Stock	6.7
Debtors	6.4
Cash at bank and in hand	4.9
Creditors, taxation and borrowings	(20.7)
	(1.3)
Goodwill	7.5
Cost of acquisition	6.2

During the year Woolworths public limited company acquired the entire issued share capital of Record Merchandisers Limited, the consideration being entirely for cash. Profits of Record Merchandisers Limited have been included in the consolidated profit and loss account only since the date of acquisition. All tangible fixed assets of Record Merchandisers Limited are included in these consolidated financial statements at their fair values at the date of acquisition.

24 PENSION COMMITMENTS

During the year each principal company operated a pension scheme in respect of its employees in the UK. With effect from 1 February 1987 the assets and liabilities of three schemes; Caledonian Holdings Pension Scheme, Comet Group Pension and Assurance Scheme and F W Woolworth Pension Plan were transferred to a combined scheme, the Woolworth Group Pension Scheme. An actuarial valuation in respect of the new scheme was made as at 1 February 1987. Pension schemes also operated for the directors of Woolworth Holdings and employees of B&Q (Retail) Limited. The latest actuarial valuations of these schemes were made as at 1 April 1984 and 1 February 1985 respectively.

The most recent actuarial valuation under each of the schemes showed that there were sufficient assets in the schemes to secure the benefits of existing pensioners and deferred pensions, and to provide pensions to employees on the basis of completed pensionable service with allowance for future salary increases. The companies are paying the level of contributions recommended by the respective actuaries.

25 LEASE COMMITMENTS

Commitments under operating leases	Land & buildings 1987	Plant & machinery 1987	Land & buildings 1986	Plant & machinery 1986
	£m	£m	£m	£m
At 31 January 1987 the group had annual commitments under non-cancellable operating leases as follows:				
Expiring within 1 year	0.7		0.1	0.4
Expiring between 2 and 5 years	1.4	0.9	0.4	0.9
Expiring in 5 years or more	29.3		26.1	

WOOLWORTH HOLDINGS PLC

NOTICE OF MEETING

NOTES

1 *A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member.*

2 *To be effective the instrument appointing a proxy must be deposited at the office of the registrar not later than 12.00 noon on Monday 1 June 1987.*

3 *There will be available for inspection at the registered office of the company during normal business hours (Saturdays excepted) from the date of this notice until the date of the annual general meeting and at The Brewery, Chiswell Street for 15 minutes prior to and during the meeting:*
(a) the register of directors' interests in the ordinary shares and loan stock of the company;
(b) the contracts of service of the directors (other than the contracts which expire or are terminable by the company without payment of compensation within one year).

Notice is hereby given that the annual general meeting of Woolworth Holdings plc will be held at The Brewery, Chiswell Street, London EC1Y 4SD on Wednesday 3 June 1987 at 12.00 noon for the following purposes:

1 To receive and adopt the financial statements for the year ended 31 January 1987, together with the reports of the directors and auditors thereon and to declare a final dividend on the ordinary shares.

2 To re-appoint the following directors retiring under the Articles of Association:
Sir Nigel Mobbs and Mr. M. J. Hollingbery retiring by rotation and Mr. M. R. Parkinson, Mr. A. J. Norman and Lady Howe who have been appointed directors since the date of the previous annual general meeting.

3 To re-appoint Deloitte Haskins & Sells as the company's auditors and to authorise the directors of the company to fix their remuneration.

4 As special business to consider and, if thought fit, pass the following resolutions:

(1) as an **ORDINARY RESOLUTION**

that each of the 354 million unissued and issued ordinary shares of 50p each in the capital of the company be sub-divided into 2 ordinary shares of 25p each, and that the directors of the company be and they are hereby authorised to amend the Woolworth Group Executive Share Option Scheme (1983) by altering the definition of the 'Ordinary Shares' therein so as to refer to ordinary shares of 25p each (instead of 50p each).

(2) as an **ORDINARY RESOLUTION**

that the directors of the company be and they are hereby authorised to amend the Woolworth Group Sharesave Scheme (1983) by reducing the qualifying period for participation by directors and employees to one year for those working at least 35 hours per week and to three years for those working less than 35 hours per week but at least 16 hours per week.

(3) as a **SPECIAL RESOLUTION**

that the directors of the company be and they are hereby generally authorised and empowered during the period expiring on the date of the next annual general meeting of the company to exercise all powers of the company to allot relevant securities as defined in Section 80 of the Companies Act 1985 ('the Act') and to make an offer or agreement which would or might require relevant securities to be allotted after that date, all as if Section 89(1) of the Act did not apply, but so that:

(a) the nominal value of the relevant securities allotted under this authority shall not exceed the nominal value of the authorised but unissued share capital of the company at the date hereof;

(b) allotments in connection with a rights issue to shareholders of equity securities as defined in Section 94(2) of the Act shall be made in the manner set out in Section 89(1) of the Act but subject to the directors having a right:

(i) to sell for the benefit of those shareholders who are citizens of, or resident in, any overseas territory where in the opinion of the directors of the company it would at the time of the offer be illegal (by relevant law) or unduly costly or burdensome for the company to make, or for those shareholders to accept, an offer of equity securities of the company, the equity securities to which they would otherwise be entitled; and

(ii) to aggregate and sell for the benefit of the company all fractions of a share which may arise in apportioning the equity securities among the ordinary shareholders; and

(c) other allotments of equity securities for cash shall be limited in aggregate to the allotment of, or involving, equity share capital not exceeding (in nominal value) 5 per cent of the nominal value of the authorised share capital of the company as at the date hereof.

By Order of the Board
Tim Clement-Jones
Secretary.

Dated 5 May 1987