STOREHOUSE

Annual Report

and Accounts

1994

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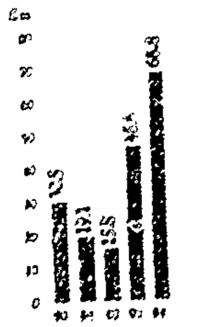
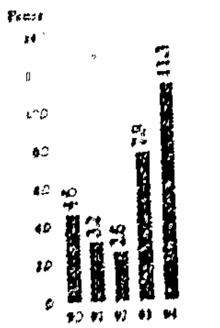
Storehouse

Storehouse is one of the UK's leading retailers with 431 high street stores. Formed in 1986 by the merger of BhS and Habitat Mothercare, it consists of three retail businesses, BhS, Mothercare and Blazer.

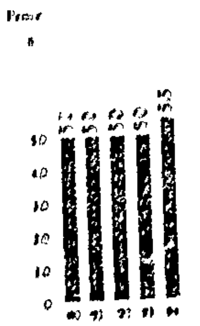
Financial Highlights



PROFIT BEFORE TAX EXCLUDING EXCEPTIONALS



EARNINGS PER SHARE EXCLUDING EXCEPTIONALS



DIVIDEND PER SHARE

	1994 £ million	[illegible]	1994 £ million	1993 £ million
BhS	749.0	696.0	56.2	44.1
Mothercare	282.2	257.6	10.2	5.0
Blazer	14.3	13.2	-	(0.6)
	1,045.5	966.8	66.4	48.5
Discontinued businesses	-	172.5	-	(5.5)
	1,045.5	1,139.3	66.4	43.0

Profit before tax excluding exceptional items	68.8	46.6
Earnings per share excluding exceptional items	11.3p	7.8p
Full year dividend per share	5.5p	5.0p
Net assets per share	107p	103p
Net cash to equity	8.6%	5.8%

PLEASE NOTE THAT DUE TO THE POOR QUALITY OF THE FICHE SOME OF THE FOLLOWING IMAGES ARE ALSO OF POOR QUALITY.

Board of Directors

IAN HAY DAVISON [illegible]

[illegible] 1989 and was appointed [illegible] May 199[illegible] [illegible] Chairman of [illegible] Bank plc [illegible] of McDonnell [illegible] [illegible] non-executive director [illegible] [illegible] [illegible] [illegible] Chartered Accountants in [illegible] [illegible] Federation of Accountants [illegible]

KEITH EDELMAN [illegible]

Joined Storehouse in August 199[illegible] [illegible] Chief Executive and Chief Executive of BhS, from Carlton Communications [illegible] where he was Managing Director. Previously he was a director of [illegible] and Chairman of its [illegible] Aged 43

STEVE BEDFORD

[illegible]

Joined the Group in 1987. He was appointed BhS Human Resources Director in 1987 and was also responsible for [illegible] He joined the Storehouse Board as Group Development Director in July 1992. He [illegible] Aged 3[illegible]

DR MARGARET [illegible]

([illegible])

Appointed in July [illegible] [illegible] Bank of Ireland [illegible]

ANN [illegible] [illegible]

[illegible] 199[illegible] [illegible] Director. In [illegible] [illegible] Chief Executive of Mothercare [illegible] February 1993. Aged 5[illegible]

MARTIN SORRELL *([illegible])*

Appointed in January 1994. He is the Group Chief Executive of WPP Group plc and was previously Group Financial Director of Saatchi and Saatchi Company plc. Aged 49

DICK STEELE

Group Finance Director

Appointed in April 1994 as Group Finance Director and Finance Director of BhS. Previously Group Finance Director at Lloyds Chemists plc, he is a chartered accountant and has held a number of senior financial positions in retailing. Aged 39

DAVID TAGG *(Non executive)*

Appointed in July 1991. He is Group Services Director of Grand Metropolitan [illegible] and also Chairman of East London [illegible] and a director of a number of charitable [illegible] Aged 64

[illegible] June 1994

LIST OF ADVISERS

Secretary and Registered Office
Guy Johnson, Marylebone House,
129 - 137 Marylebone Road
London NW1 5QD

Principal Bankers: Midland Bank plc

Financial Advisers:
Kleinwort Benson Limited,
Goldman Sachs International Limited
Morgan Grenfell & Co Limited

Auditors: Arthur Andersen

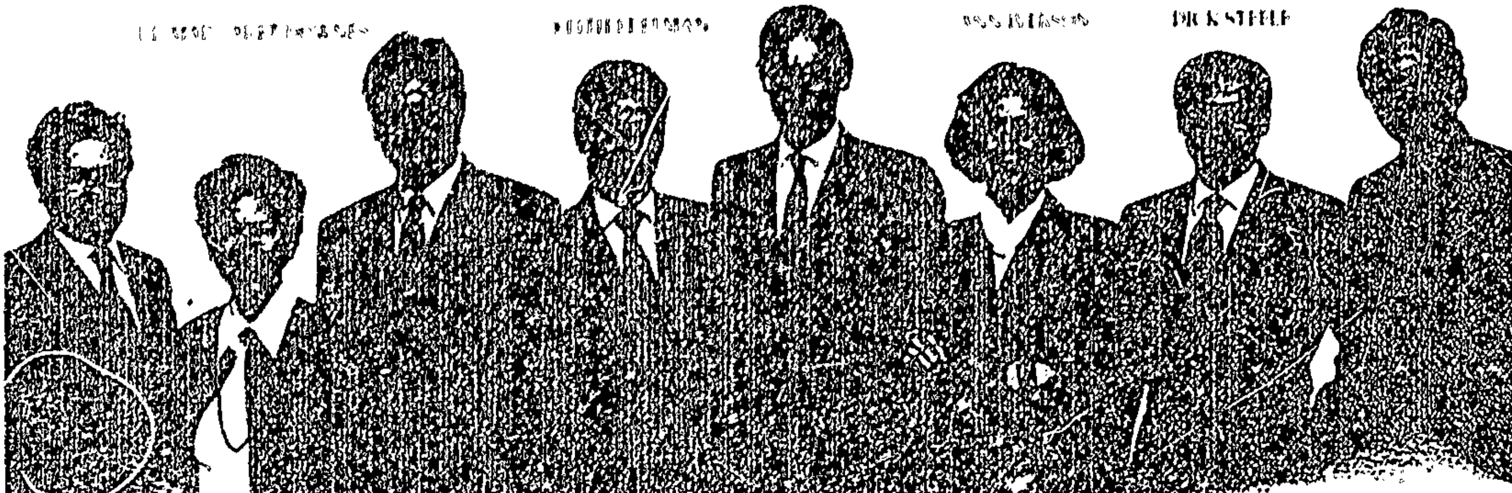
Solicitors: Clifford Chance

Brokers: S G Warburg Securities Ltd
Cazenove & Co

Registrar and Transfer Office:
Lloyds Bank Plc, Registrar's Department
The Causeway, Worthing,
West Sussex BN99 6DA

DAVID TAGG

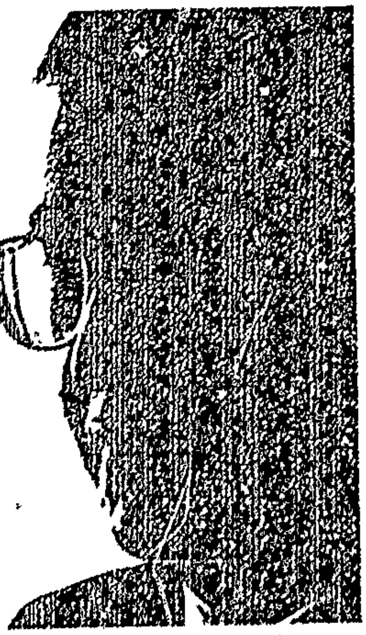
DICK STEELE



Chairman's Statement

by Ian Hay Davison, Group Chairman

Storehouse has continued to make good progress over the last year. Operating profit was up by 27 per cent at BhS and doubled at Mothercare. For the Group as a whole profit from retail operations increased from £43.0 million to £66.4 million and profit before tax increased more than fourfold, from £15.2 million to £62.4 million. Earnings per share, excluding exceptional items, rose from 7.8p to 11.3p.



These results represent a significant advance in a difficult and highly competitive market place, even allowing for the impact the previous year's disposal of loss making businesses had on comparisons. They fully justify the Board's decision to concentrate the Group's resources on its two major retail brands, each of which has considerable profit potential both from organic sales growth and from improved operational efficiency.

Given these encouraging results and in the light of prospects for the current year, the Board is recommending a final dividend of 3.0p (1993 - 2.5p), increasing the total distribution for the year by 10 per cent from 5.0p to 5.5p. Although this is the first time since 1989 that the dividend will be fully covered by earnings, dividend cover is not yet at a satisfactory level. However the Board is confident that future earnings growth should enable cover to be improved further within a consistent and progressive dividend policy.

BOARD AND MANAGEMENT

Following the arrival of Keith Edelman as Group Chief Executive last August, a number of senior appointments have been made to bring the boards of all three operating companies up to strength. In addition, Dick Steele was appointed Group Finance Director in succession to Graham Rider and he joined us from Lloyds Chemists plc shortly after the end of the financial year. Ann Iverson, Chief Executive of Mothercare, leaves the Group in June to take up a new appointment in the United States. During more than four years with Storehouse, she has made a major contribution to the Group's recovery and we are sorry to see her go. She will be succeeded as Chief Executive of Mothercare by Simon Hughes, BhS Logistics Director.

We welcome Martin Sorrell, Chief Executive of WPP Group, to the Board as a non-executive director in place of Sir Christopher Bland who retired last October. Changes at the top inevitably place additional demands on people throughout the business. On behalf of the Board I would like to thank all our staff for the enthusiasm with which they have risen to the challenges of the past year and for the contribution each has made to our growing success.

THE CURRENT YEAR

Looking to the current year, it seems clear that the economy is now steadily improving and there are reasonable prospects for some further growth in consumer expenditure, although markets will remain very competitive and value driven. I am confident that in these conditions Storehouse has the trading strategies, the merchandise offer and above all the people to ensure another successful year.

Ian Hay Davison

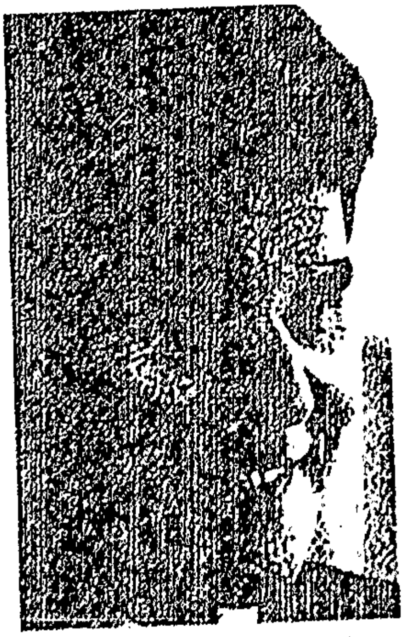
IAN HAY DAVISON

Chief Executive's Review

by Keith Edelman, Group Chief Executive

Helped partly by a fifty-third trading week and additional space, turnover for continuing businesses rose from £967 million to £1,045 million, an increase of 8 per cent. On a like-for-like basis the increase was some 5 per cent. There was no price inflation either at BhS or at Mothercare.

Gross margins were down across the Group by a little over one per cent. This reflected the highly competitive environment in which we were operating throughout the year, and in Mothercare's case, the completion of its strategic price repositioning. However, thanks to continued improvements in our supply chains and the closer relationships we are developing with our suppliers, we were able to hold our bought in margins.



Costs were held across the Group to last year's levels - indeed on a 52 week basis they were actually below last year due to a reduction in rental costs following the dismantling of the Sypedan joint venture. Payroll costs benefited from the introduction of more flexible staffing arrangements in BhS stores.

As a result of increased sales and stable costs, profit from retail operations for continuing businesses rose 37 per cent to £66.4 million (1993 - £48.5 million), with all three retail brands improving profitability significantly. With interest receipts benefiting from higher cash balances through the year, profit before exceptional items and tax was £68.8 million (1993 - £46.6 million).

Exceptional items were far less significant than in the previous year which bore the brunt of the disposal costs of Habitat and Richards. As a result profit before tax was £62.4 million compared with £15.2 million in 1993. Profit after tax was £[illegible] million (1993 - £0.4 million) and earnings per share, excluding and including exceptional items, were 11.3p and 9.7p respectively (1993 - 7.8p and 0.1p).

Turning to the performances of the individual businesses, BhS had a satisfactory year with operating profit of £56.2 million (1993 - £44.3 million). Although sales increases of 8 per cent were not quite as high as planned, Christmas trading exceeded expectations and the year ended on a strong note with excellent trading before Easter. The run down of the supply contract with Savacentre, which has now been completed, reduced the sales increase - although not profits - by about one per cent. A number of new ranges were introduced, particularly in lighting, and improvements to BhS restaurants began to show results. In August, 16 BhS stores were reformatted as One Up stores, with their own merchandise ranges at prices some 30 per cent on average below prices at BhS. The experiment will be developed further in the current year. Three new BhS stores were opened during the year.

At Mothercare the recovery has gathered pace, with sales again up by 10 per cent and operating profit doubled from £5 million to £10.2 million. Market shares were held or increased both on the clothing side and in all the key nursery equipment categories. By the year end, 20 stores had been refurbished with the highly successful new design concept, which has performed consistently ahead of the rest of the chain, and work has continued on a comprehensive review of Mothercare's supply chain.

Blazer, the specialist menswear chain, also had a successful year and turned last year's loss into a small operating profit. Following the decision not to

Chief Executive's Review

all the business we have opened two new stores and will be investing further in the current year.

On the financial side, Storehouse remains strongly placed. In spite of the purchase of Clydesdale properties, the Group generated cash, ending up the year with net cash of £38.3 million (1993 - £24.4 million). This very healthy position enables us to increase the level of capital investment significantly in the current year.

There is a full financial commentary on pages 18 and 19.

THE NEXT STAGE

When I arrived at Storehouse in August 1993, the Board had already developed a convincing business strategy and the trading momentum had been broadly sustained. However the lack of a chief executive had inevitably affected forward planning and there were gaps in the senior management team. Those gaps have now been filled by recruitment and internal promotion and the benefits are already being felt. In addition some decisions on new properties and space management schemes were held back in 1993. While we expect to open three new BhS stores this year, they will all be after the summer, as will be the completion of extensions to certain existing stores, including Milton Keynes. Some of the delay was due to a re-examination of our spending priorities which I set in train on my arrival and the decision to concentrate on those projects which promised the highest financial returns.

> *As far ahead as it is useful to plan, we expect that the customer will be both cautious and demanding*

These financial disciplines are all the more important in the current economic climate. As far ahead as it is useful to plan, we expect that the customer will be both cautious and demanding. While it is reasonable to expect steady growth in consumer expenditure, the main benefits will be felt by those retailers which are not only highly efficient but which offer their customers real value and innovation.

FOUR KEY PRIORITIES

Against this background, we have established four key priorities for the period ahead.

The first priority is to develop and embed the values and cultural beliefs already in the business - customer and service led, non-hierarchical management, responsive to change, demanding in personal and business standards, high rewards for high performance. It will take time - and greater managerial stability than Storehouse has enjoyed in the past - before these values truly drive our businesses, but they are fundamental to our success.

The second priority is space. There are still too many important UK markets where we are either not represented at all or where our stores are inadequate in terms of size or location or both. At BhS we have now identified some 60 towns with sufficiently large catchment areas for a new store and we are pushing ahead with an opening programme to fill the gaps in our market coverage. As well as the new stores in the current year, we already have firm plans for five stores in 1995 and 1996 and others are in active negotiation. At Mothercare, we will be accelerating the roll out of the new concept store to a further 50 or more locations by April 1995. At the same time we will continue to take opportunities to resite stores wherever we feel that size or location are restricting our success.

In addition many BhS stores have redundant back office and store room space which can be profitably converted to trading. The rate at which this can be done depends on how productive we can make our stores, but we have seen at both BhS and Mothercare how store productivity and sales densities can be driven higher by an improved store environment, more efficient fixturing and not least by greater stock availability. We still lose far too many sales because we fail to provide our customers with what they came in to buy.

Chief Executive's Review

This brings me to the third priority – the supply chain. The efficiency and responsiveness of the supply chain and relationships with suppliers are fundamental to successful retailing today. Over the last few years we have made considerable progress. All our stores have EPOS tills and we are making increasing use of electronic data interchange (EDI) with our suppliers – indeed at BhS it is a contractual requirement. However there is still much to do to improve efficiency and make effective use of the information now available to management. At BhS, therefore, we are taking a fundamental look at the supply chain, at how we can build partnerships with our main suppliers, eliminate unnecessary delays, improve quality, reduce markdowns by greater flexibility and responsiveness, and most importantly ensure availability of merchandise. Results so far have been encouraging and we should see progressive rewards from higher sales, lower markdowns and reduced working capital.

> *The efficiency and responsiveness of the supply chain and relationships with suppliers are fundamental to successful retailing today.*

At Mothercare the supply chain initiatives have so far been more to do with the mechanics of merchandise management, range assortment and replenishment. These have been perennial weaknesses at Mothercare, but the management and systems are now in place to take a major step forward this year. At the same time, we have been looking at Mothercare's distribution system and whether it makes economic and operational sense to link it with BhS's much more efficient system based on its distribution centre at Atherstone. Initial studies have identified important potential savings but we have to be satisfied that these can be achieved in practice. We expect to make a decision on this before the end of the year.

• Our fourth priority is to enhance the brand values of our three businesses. There are many examples of how own label retailers such as Storehouse can increase sales and profits by brand building, giving customers confidence in the quality and value of what they will find when they visit a store. In this way outlets become destination stores, places which are the first choice for the shopper. Retail brands are built by consistent and meticulous performance over many years but, once built, they are surprisingly resilient to mistakes or even periods of mismanagement. Customers remain loyal.

For a number of reasons Mothercare – and indeed Blazer – already enjoy and have benefited from this brand value. At BhS we are still at the building stage. The building blocks are there – a substantial customer base, excellent merchandise and attractive stores. But many of the changes at BhS, including the name itself, are relatively recent and they have yet to be communicated effectively either in our stores or to those many potential customers who still retain old fashioned ideas of what BhS stands for today.

These then are our priorities against which we shall measure our performance in the coming year. We recognise there is much to do but the potential both of the individual businesses and of the Group as a whole is exciting. As a Group we have a clear direction and our businesses and their trading strategies are exceptionally well positioned for the current economic and social conditions. There is thus every reason why we should continue to make good progress.

Keith Edelman

KEITH EDELMAN

Analysis of Stores, Product and People

STORES ANALYSIS – at 2 April 1994	[illegible] 1994	[illegible]	Number of stores 1994	1993
BhS	3,675	3,580	139	136
Mothercare	1,102	1,088	264	263
Blazer	38	36	28	26
Total	4,815	4,704	431	425

The number of BhS stores includes 16 One Up stores. In addition the Group has 25 BhS franchise stores and 101 Mothercare franchise stores. Overseas sales to franchise operations are included in the results and represent 4 per cent of continuing businesses' sales.

% ANALYSIS OF TURNOVER BY PRODUCT	1994	1993
Womenswear, fashion accessories	29	29
Menswear	11	13
Childrenswear	27	26
Household, infant hardware and toys	24	23
Restaurants	5	5
Franchises	4	4
Total	100	100

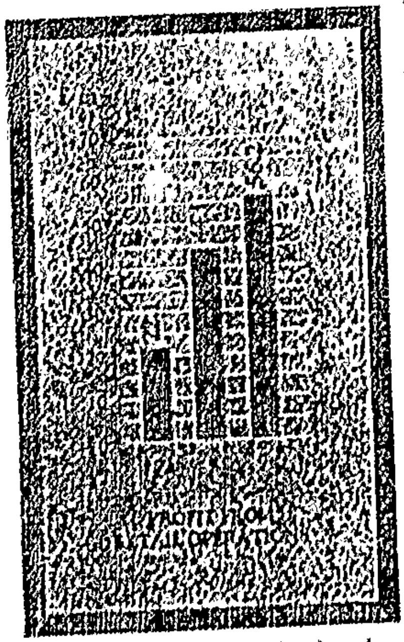
PEOPLE – as at 2 April 1994	Total employees 1994	[illegible]	Full time equivalents 1994	1993
BhS	14,055	13,822	7,048	7,335
Mothercare	3,973	3,948	2,148	2,195
Other	240	260	210	199
Total	18,268	18,030	9,406	9,729

BhS

BhS is a major UK retailer selling clothing, lighting, homewares and gifts. The merchandise is clearly focused on today's woman and her family.

BhS had another encouraging year with turnover up by 8 per cent to £749 million and operating profit up 27 per cent to £56.2 million (1993 - £44.1 million). Costs were below the previous year and the operating margin improved from 6.3 per cent to 7.5 per cent.

Sales were of course helped by an extra trading week and by the second half opening of new stores. On the other hand, the conversion of 16 stores to the new One Up low price formula had an initially adverse effect on sales revenue, as did the completion of the supply contract for the Savacentre hypermarkets. On a like-for-like basis, BhS store merchandise sales grew by some 5 per cent during the year.

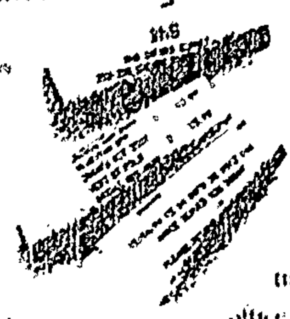


Nearly all the main trading divisions contributed to this improvement. By listening to the customer and her needs, BhS has continued to strengthen its product offering and ensured that the combination of style, fashionability, quality and value for money is consistent across all departments. Childrenswear, which includes the One and Only brand for young teenagers, had another very successful year with an 11 per cent sales increase, reaffirming BhS's position as the leading schoolwear retailer. The home division benefited from new lighting ranges, including the critically acclaimed Helios lamp. For the third successive year, Christmas trading was strong and the BhS 'Christmas Shop' is now firmly established as a destination store for seasonal gifts.

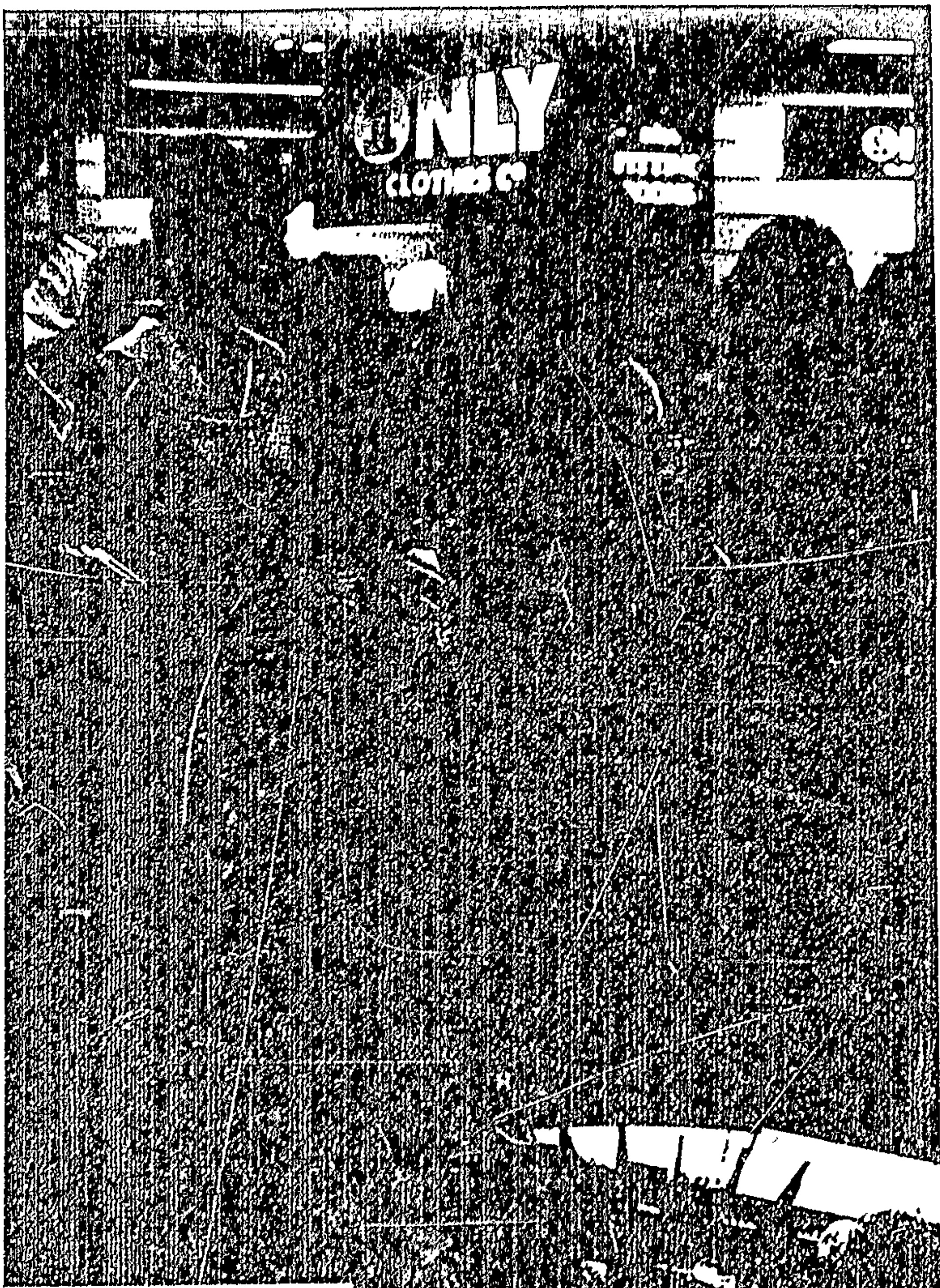
Restaurant sales, although still below last year, picked up in the second half with improvements to menus and service levels. A trial new concept restaurant, based on the preparation of meals in front of the customer, was opened in Southampton and BhS operates the specially designed café in the new shopping mall at Aylesbury. Restaurants remain an important and profitable part of the BhS business.

The 'Choice Card' loyalty scheme continued to play a central role in BhS marketing plans. The growing numbers of customers using the card and qualifying for discounts has had an effect on margins but this has been offset by increased sales, opportunities for selective marketing and special events, and the provision of detailed information on customer spending patterns. The automation of Choice transactions at the point of sale has improved customer service and reduced store administration.

Service standards have also been helped by the new store staffing structure which was introduced soon after the start of the year. More flexible work patterns, a greater use of part time store associates and an even higher emphasis on training and career development has meant that customers can be assured of experienced and well trained store associates when they need them most.



New stores at Aylesbury, Basildon and Southport were opened during the year and have traded successfully. In addition, a number of major stores were refurbished and plans developed for further space management schemes to turn fallow space such as redundant back office areas into prime selling space.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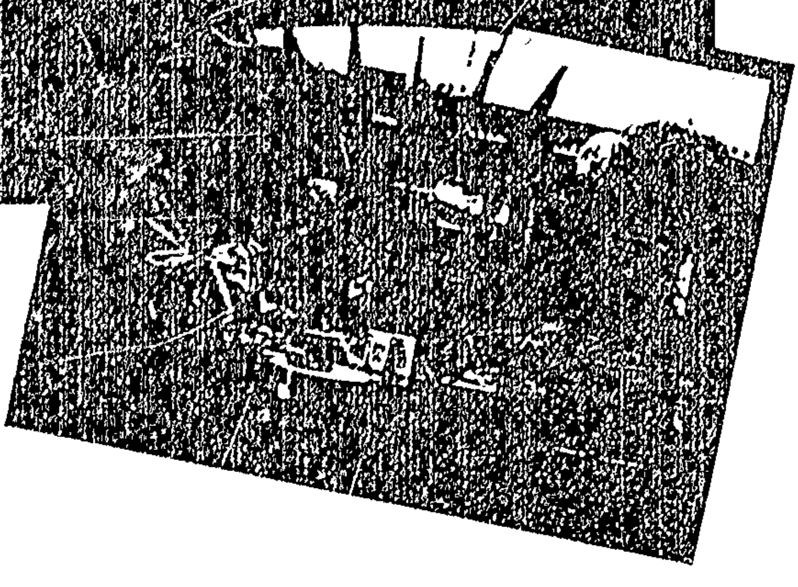


BhS

In the late summer, sixteen smaller BhS stores in secondary markets were converted to a new low cost/low price format, One Up. Offering customers good value clothing and homewares at very competitive prices, One Up has traded satisfactorily. This format will be developed further in the current year with the addition of one or two completely new stores and improvements to some existing One Up outlets.

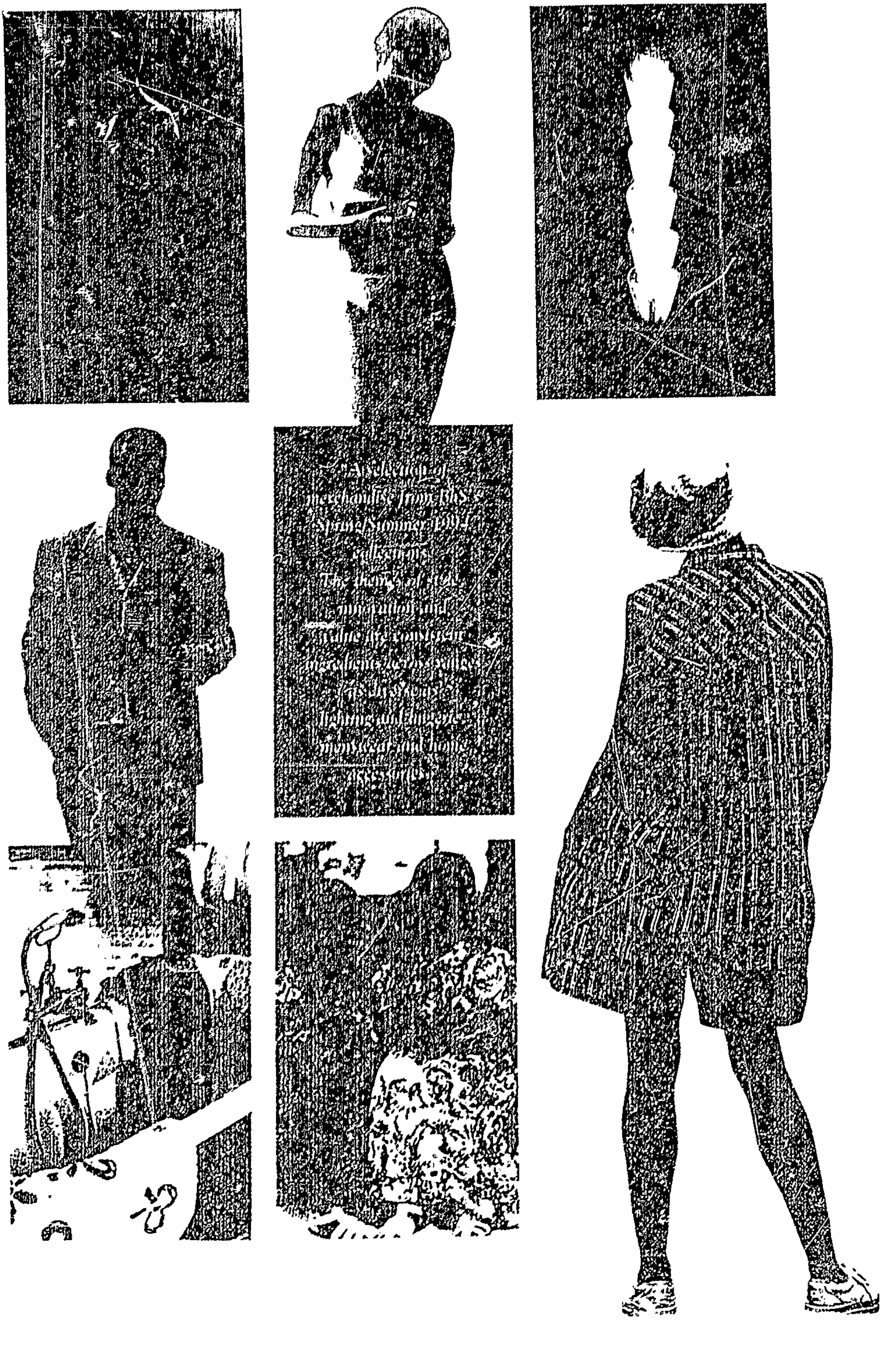
BhS's overseas franchise division, BhS Worldwide, had an excellent year with sales up by 75 per cent. New franchised outlets in Greece performed particularly well and the first stores in the Canary Islands and mainland Spain have been opened. Further openings in Greece, Spain and the Middle East are planned.

Looking to the current year, the BhS management team has developed a number of initiatives to expand the chain and increase sales and profits. New stores are due to open this autumn in Rochdale and Telford and, next April, in Cambridge and a number of major space management schemes will be completed during the second half of the year, including a 14,000 sq. ft extension to trading space at the Milton Keynes store. In addition, space will be gained when the Mothercare concessions in Glasgow and Hull are re-sited as stand-alone stores. Altogether, in spite of the closure of the Birkenhead store, it is planned to increase selling space by at least 150,000 sq. ft. or some 4 per cent during the year, although it will be 1995 before the full benefit of this expansion will be felt. In that year the pace of new openings is expected to accelerate further.

Following a two year reduction in the number of BhS suppliers and initial work on the supply chain, in January, a senior level task force was established to re-engineer all aspects of the supply chain and relations with suppliers. Although BhS has a highly efficient distribution system, there are other areas in the supply chain, including stock availability and the level of markdowns, where there is much room for improvement. The task force, which includes supplier representatives, will make recommendations in the early summer. Over a period these will mean major changes in the way BhS and its suppliers operate the supply chain and should lead to increased sales, significant savings in markdowns and reductions in working capital.

Another initiative is concentrating on service standards throughout the store network, as BhS strives to become 'the first choice shopping experience.' We are currently drawing together and establishing measurable standards for the key elements of excellent service. This is supported by the newly launched store associate programme, 'Spotlight on Success,' a specially tailored retail training and development package designed within BhS to replace the more general National Vocational qualifications.

Lastly a number of initiatives are planned to build and communicate the value of the BhS brand. Building wider awareness of what BhS stands for today is seen as a key component in the Company's future strategy. Brand building works at a number of different levels, from the store environment and product labelling to external communication such as advertising. Plans are at an advanced stage to ensure that the quality and value that is now available in BhS stores is communicated more consistently and more widely. For too long BhS has been the best kept secret on the high street.

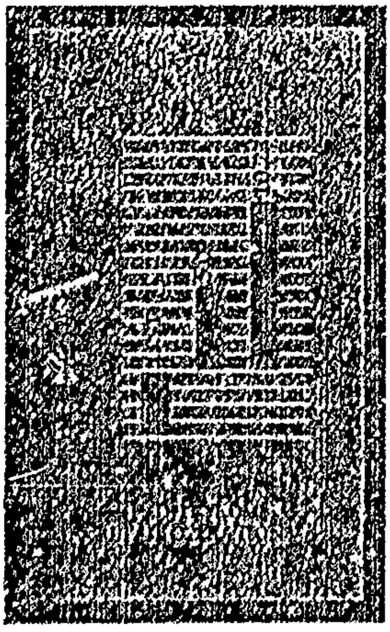

A selection of
merchandise from
Spring/Summer
collections

Mothercare

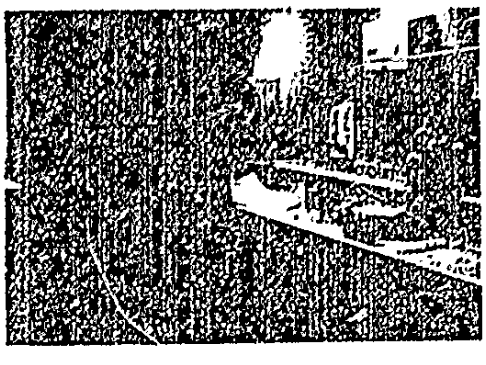
Mothercare is the UK's largest specialist retailer for mothers and young children, particularly looking after the needs of the first-time mother and her new born baby.

The momentum of recovery at Mothercare gathered pace through the year. Turnover was up from £258 million to £282 million, a 10 per cent increase for the second year running. In the second half, with the help of a very strong Christmas and an extra week's trading, sales were up by 14 per cent compared with 6 per cent in the first half.

On the back of these sales increases, operating profit more than doubled to £10.2 million (1993 - £5.0 million). Gross margins, which had been initially affected by strategic price repositioning, recovered during the second half with a favourable sales mix and ended the year little changed. Mothercare's operating margin improved from 1.9 per cent to 3.6 per cent.



During the year Mothercare maintained or grew its market shares in both children's clothing and nursery equipment. Clothing sales for children up to the age of eight rose by over 10 per cent against a market increase of a little over 3 per cent. Mothercare did particularly well in toddler's clothing, reflecting the increased fashionability of the offer, more competitive pricing and the greater prominence given to the display of children's clothing in the stores.

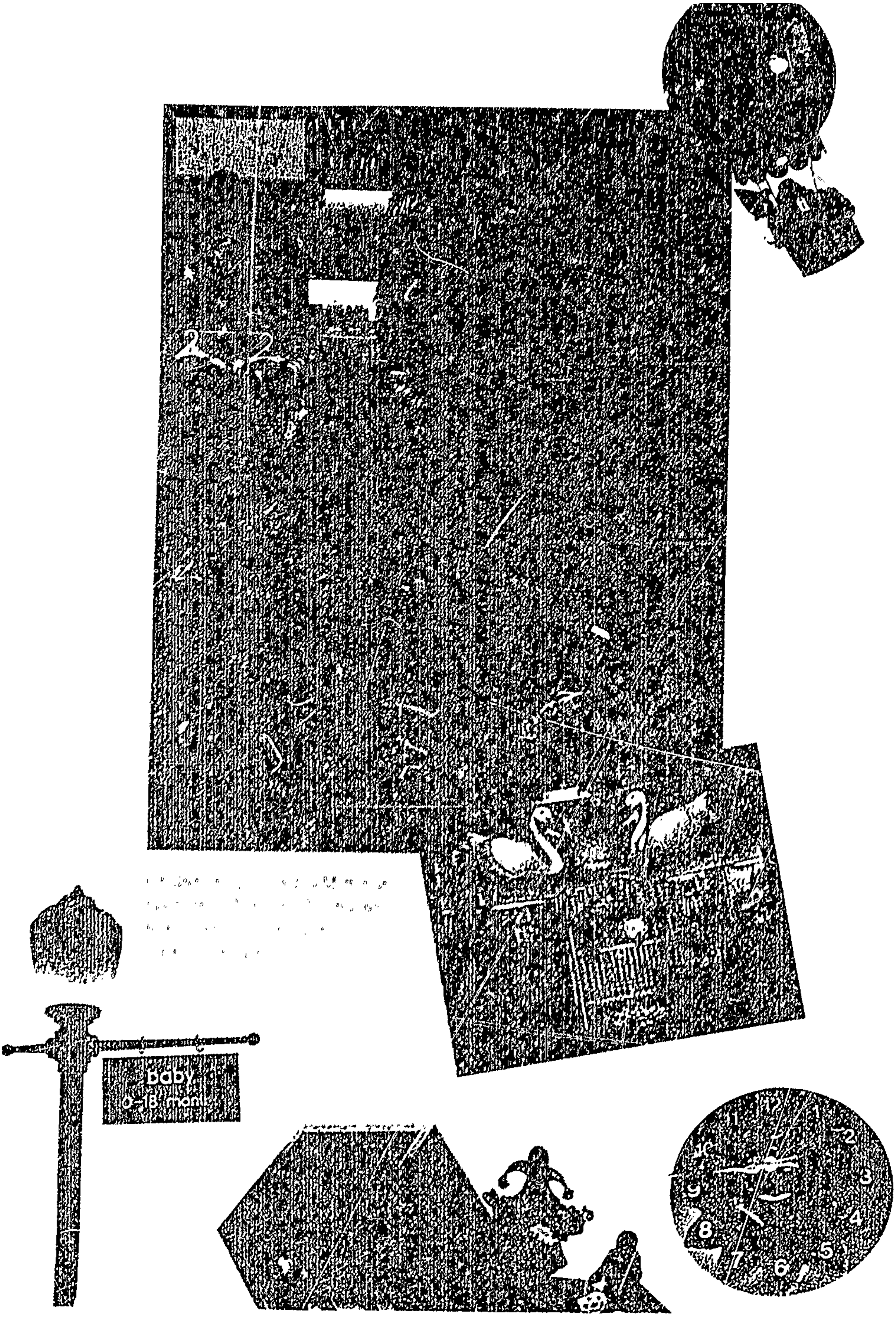


On the equipment side, Mothercare increased its already strong market shares both of the total market - now over 20 per cent - and of each of the four key product areas, pushchairs, car seats, cots and high chairs. The introduction of leading brands such as Silver Cross have helped sales, as has the more competitive pricing of Mothercare's own products.

The year saw the start of the roll-out of the new store concept, following its successful trial in Watford. The refurbished stores, complete with talking trees, a singing clock and excellent facilities for mothers, babies and children, have been a major success with customers and their families. Most of the new stores also have parents' rooms for fathers to use, and more are planned as the roll-out continues.

Sales and profits in the new concept outlets have increased consistently ahead of the rest of the chain. By the end of the financial year, 20 stores had been completed and a further 30 are due to be refurbished by the autumn. The programme will continue through the year, concentrating on the 136 stores which produce over three-quarters of Mothercare's sales and profits. By the spring of 1995 it is planned that over 40 per cent of the chain's total space will have been refitted.

The new concept programme involves a thorough review of Mothercare's current store locations and their size in relation to their potential markets. As a result of this review, six stores have already been resited and further resites are planned in the current year. At the same time, Mothercare is developing a similarly themed refit programme specially designed to suit the smaller


Baby
0-18 mont

Mothercare

stores in the chain.

Two new stores were opened during the year but Mothercare is already well represented throughout the UK and opportunities for new stores are relatively limited.

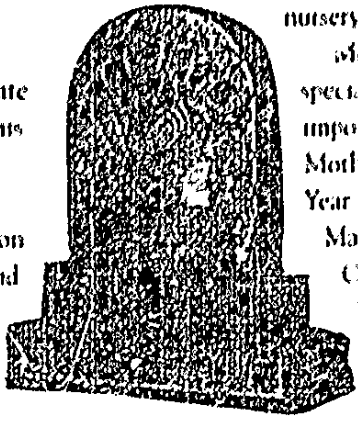
Apart from the stores development programme, the second major initiative during the year has addressed the supply chain. This has been a long standing weakness at Mothercare over many years and it is now for the first time being tackled comprehensively, from initial range planning to distribution and replenishment. New merchandise planning systems and processes have already been introduced and new replenishment systems for both fashion and non-fashion merchandise started to become operational at the end of the year. There have been important changes to the supply base over the period, including some reduction in supplier numbers, and improved supply contracts and other documentation and processes have been defined. Supporting systems will be developed in the current year.

The benefits of improvements to the supply chain will be felt progressively and are expected to have a major impact on Mothercare's profitability

At the same time, a working party has been looking at Mothercare's medium term distribution needs and in particular the scope for integrating Mothercare's distribution system with BhS. Although significant savings have been identified, there are still important operational issues to be resolved. A decision on whether or not to integrate the two systems will be taken later this year with a view to the possible introduction of a new system during 1996. As well as savings in distribution costs, an integrated system should lead to more frequent replenishment of the stores and better service levels for the customer.

The benefits of improvements to the supply chain will be felt progressively and, over a period, are expected to have a major impact on Mothercare's efficiency and profitability. They will benefit not only the UK but also the important international franchise business, which increased sales by some 21 per cent over the previous year. Currently Mothercare has over 100 franchised outlets and sales to them represent over 7 per cent of turnover. The new store concept has been enthusiastically received by franchisees. Five outlets have already been opened and more are planned for the current financial year. One of the key strategic markets is Japan where last year six new stores were opened with a further nine due to open this year.

On the marketing front, the Mothercare catalogue has been refocused and is now essential reading for all first time mothers, of whom nine out of ten visit a Mothercare store at some stage during their pregnancy. New brochures for children's clothing have been introduced to communicate Mothercare's growing reputation for fashionability in childrenswear as well as in baby ranges. In addition, consumer research is confirming customers' recognition of ever improving value for money, not only in fashion but also in the nursery departments.



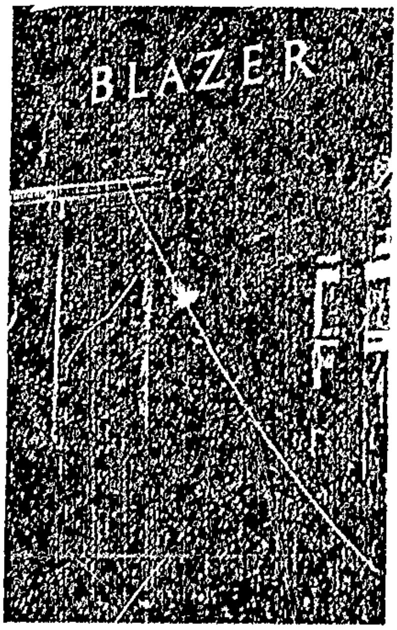
Mothercare's leading position as a specialist retailer was recognised by two important awards during the year. Mothercare was named Retailer of the Year in the first Mother and Baby Magazine Awards and, in April, the Company was delighted to win a Tommy's Parent Friendly Campaign Award in the children's clothes and toy store category.

Blazer

Blazer is a menswear chain selling high quality traditional clothing. The stores are mainly located in the south east of England.

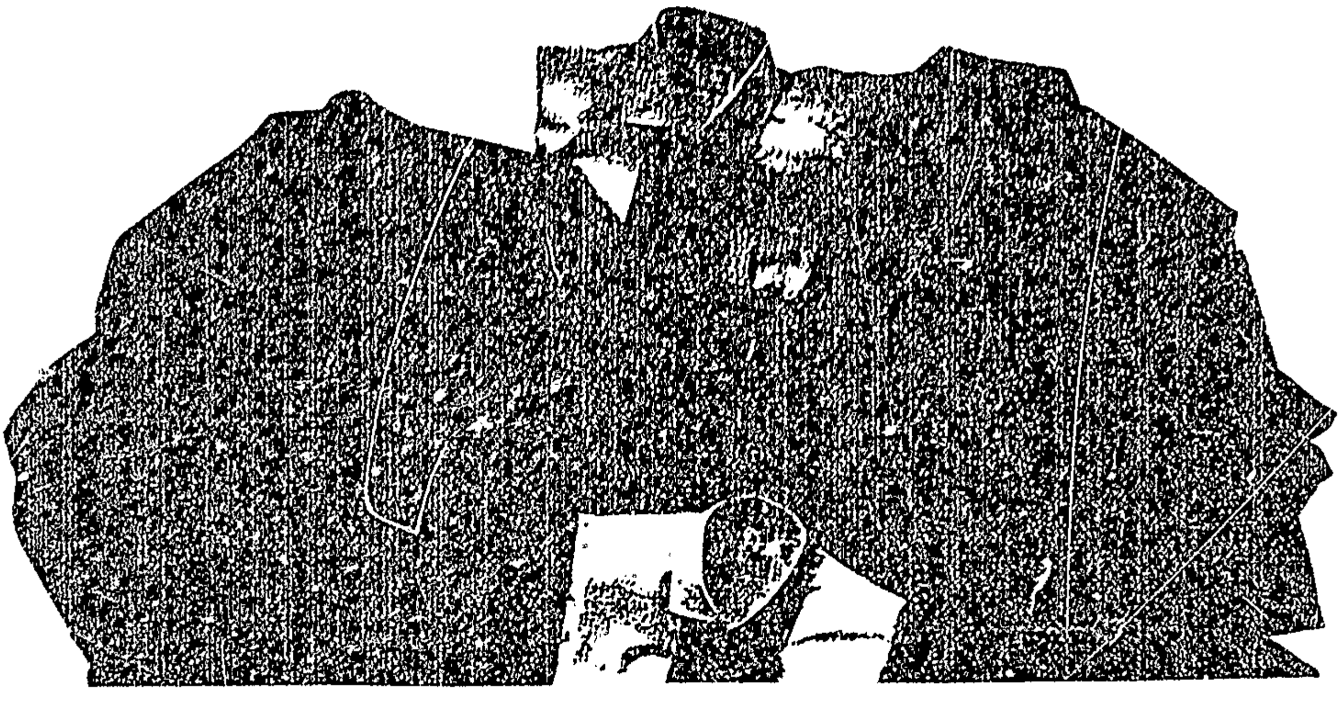
Trading at Blazer improved during the year with sales up [illegible] per cent to £[illegible] million and operating profit just ahead of breakeven ([illegible]: [illegible] million loss). Christmas trading was again strong and margins were helped by lower markdowns in the New Year. Sales in the second half were up by 11 per cent, compared with an increase of [illegible] per cent in the first half.

Last May the decision was taken to retain Blazer within the Group and to concentrate on returning it to a profitable operation. The store portfolio was reviewed and as a result two new stores were opened and terms agreed for the disposal of two loss making outlets. Costs were held in line with inflation on a like-for-like basis and margins benefited significantly from more focused markdowns. The product offering was steadily improved.



With the arrival of a new chief executive in January, the business strategy and the product offering is currently being reviewed, assisted by comprehensive market research. Among the issues being addressed are merchandise ranges, consistent product quality, stock availability, the balance between formal and casualwear, and the store environment. Further ways of exploiting the value of the Blazer brand are also being considered.

With the menswear market showing signs of recovery, Blazer will be looking for opportunities for a modest expansion of the store network. This will include the opening in June of a new store in London's Jermyn Street.



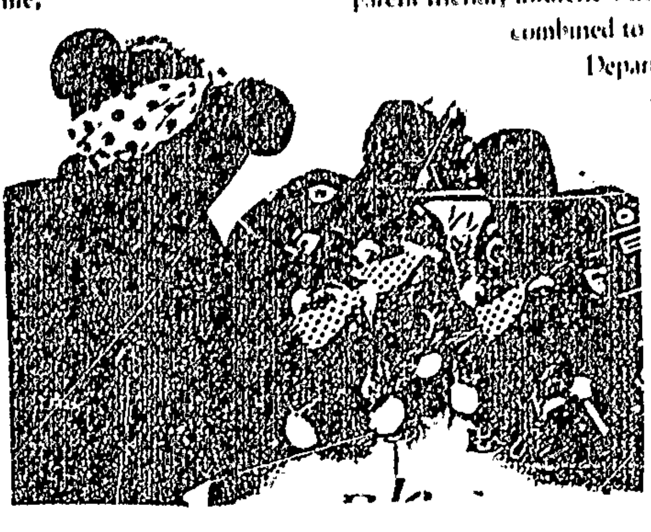
Storehouse in the Community

As a large retailing group, Storehouse recognises its role in the wider community. Both BhS and Mothercare have shown how, with thought and imagination, the efforts and energy of staff, suppliers and customers combined can be harnessed to the benefit of worthwhile causes.

BhS supported a wide range of charities and volunteer groups at local levels including parachute jumps for a Babycare Unit in Doncaster and face painting for local hospitals in Nottingham. Nationally, the Company once again threw its support behind Children in Need. Staff organised a range of activities from Splat-a-thons and Fun Runs to Drivathons and fashion shows and helped to raise more than £500,000. BhS will be supporting Children in Need again in the current year.

Other activities were focused more on the business with support for the Working Mothers' Association's 'Working Mother of the Year Award' and The Design Museum's CFA Voysey 'Heart and Home' Exhibition, which won an award under the Business Sponsorship Incentive Scheme.

Mothercare, meanwhile, continued to support three main charities. Its relationship with the NSPCC dates back to the mid-1980's with sponsorship for the Children's Royal Variety Performance.



Since 1990 Mothercare has donated or helped to raise £100,000 a year for the charity, including major support for its National Child Protection Helpline which offers a free 24 hour national telephone service for anyone concerned about the safety and welfare of a child.

A further £100,000 a year is donated to fund Great Ormond Street Hospital's Clinical Genetics and Foetal Medicine Unit, which researches the causes of inherited diseases. This long standing relationship began in 1989.

This year, following a magnificent effort from staff and customers alike, Mothercare raised over £370,000 for the Variety Club of Great Britain's Gold Heart Appeal, which it has supported since 1991. Over this period, Mothercare has now raised more than £1 million by selling Gold Hearts in the six weeks around St Valentine's Day.

Towards the end of the year, BhS and Mothercare both received Tommy's Campaign Awards for their stores' Parent Friendliness. A range of in-store facilities including baby change rooms and wide aisles, together with parent friendly awareness training for staff combined to help BhS win the Department Store category, while Mothercare won the Award for Best Children's store for its outstanding facilities and overall approach.

Financial Commentary

These results have been compiled using accounting policies consistent with last year

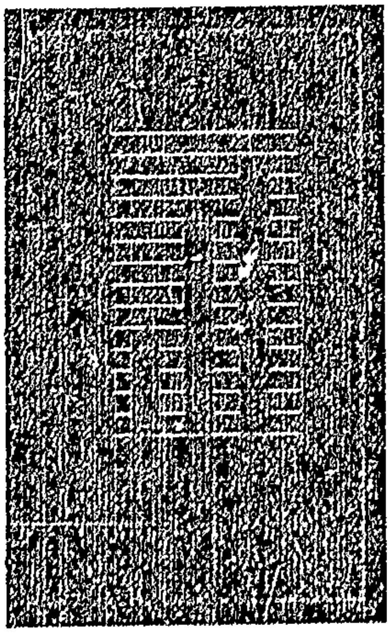
The tax charge of 32.4 per cent for the year before exceptional costs is similar to 1993 and indicative of future rates

TURNOVER AND OPERATING PROFIT

Compared with the previous year we achieved an 8 per cent increase in turnover and a 37 per cent increase in operating profit from continuing businesses. Turnover growth in the second six months was 11 per cent, compared with 5 per cent in the first six months, reflecting the continuing improvement of the businesses and a 53 week accounting year.

Gross margins across the Group were down by a little over one per cent. This largely reflects some increase in markdowns at BhS and higher discounts for the Choice Card loyalty scheme. During the second half Mothercare recovered most of the gross margin it had lost earlier because of its strategic price repositioning.

Costs for the 53 week trading year were less than 0.5 per cent up on the previous 52 week year. Underlying Group payroll costs were up by 1.5 per cent because of increases at Mothercare, but space costs were down by over 2 per cent partly as a result of the purchase of properties from Oppidan Estates.



Net operating margins improved in all three retail businesses, to 7.5 per cent at BhS, 3.6 per cent at Mothercare and breakeven at Blazer, compared respectively with 6.3 per cent, 1.9 per cent and a loss for 1993. In spite of these improvements, margins are still below the levels of which the businesses are capable.

The net interest credit of £2.4 million, compared with £1.5 million expense in 1993, was the result of net cash inflow producing average cash balances well in excess of last year. The Group Cash Flow, set out on page 27, shows a net cash inflow for the year of £13.8 million

EXCEPTIONAL ITEMS

The exceptional item of £6.4 million loss is the same as that set out in the Interim Report published last November and is in respect of loan notes received as partial consideration for the sale of the Group's US subsidiary, Mothercare Stores Inc, in 1991. Mothercare Stores Inc has been in default on the capital and interest payments on the loan notes since September 1993.

OPPIDAN ESTATES

On 4 May 1993 we ended the Oppidan Estates joint venture with London & Edinburgh Trust. The effect of this was a net cash outflow of £36.2 million, no change in Shareholders' Funds, a reduction in our annual rent charge of £6 million but the loss of income from Oppidan, which last year amounted to £5.1 million.

EARNINGS PER SHARE AND DIVIDENDS

Earnings per share at 11.3p before exceptional costs (1993 - 7.8p) grew by 45 per cent over the previous year. After exceptional costs EPS was 9.7p (1993 - 0.1p).

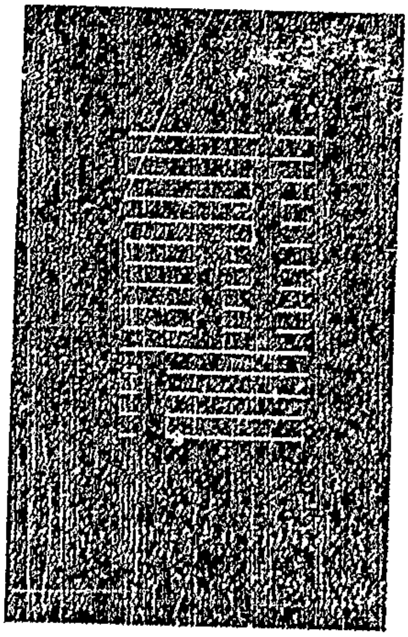
The final dividend of 3.0 per share, when added to the interim dividend of 2.5p per share already paid, makes a full year dividend of 5.5p, an increase of 10 per cent over last year. The total costs of the full year dividend is £22.9 million and is covered 1.8 times by earnings after exceptional items and 2.1 times by earnings before exceptional items. This is the first time since 1989 that dividend payments have been fully covered by earnings

Financial Commentary

After the dividend, retained profits for the year were £17.2 million, resulting in Shareholders' Funds of £446.4 million, an increase of £22.5 million, 5 per cent, over 27 March 1993.

BALANCE SHEET

The Group Balance Sheet has altered quite significantly during the year with the disposal of the investment in Oppidan and the underlying properties brought into Fixed Assets. Excluding Oppidan, capital expenditure was £46 million, against which can be set £9 million of disposal proceeds and £31 million of depreciation. A little under half the capital expenditure was spent on new stores and resites. Refits and equipment were the other major items. For the current year it is planned to increase capital expenditure significantly.



CASH FLOW

We ended the year with net cash balances of £38.3 million, an increase of £13.9 million over 27 March 1993. Cash and borrowings figures vary considerably during the course of a year. In the period under review we moved between £25 million net borrowings in November to over £60 million net cash immediately after Christmas. Our treasury operations are centrally controlled, the policies to which we work are prudent and our foreign exchange transactions and exposures insignificant. Our banking facilities are adequate for our immediate needs.

The Group Cash Flow on page 27 shows a number of points already commented upon. There was a positive cash flow from operations of £100.1 million. The other major cash flows during the year were a net reduction of £4.2 million in working capital (compared with an increase of £32 million in 1993), £17.2 million of tax paid and the receipt of £18.8 million as the final payment in respect of the disposal of Habitat. Whilst tax paid will certainly increase for 1995, there are opportunities to reduce investment in working capital further.

LANDLORDS' CONTRIBUTIONS AND RENTS

The issues involved in accounting for landlords' contributions to store development expenditure have recently gained some prominence. We fully support the efforts of the Accounting Standards Board to encourage consistent treatment. During the year we received some landlords' contributions and these were utilised to offset pre-opening costs and asset write-offs. In relation to total space costs, the sums involved were not large and had we adopted the recently published draft UITF Abstract, the effect on our results would not have been significant.

As a major retailer, rents payable are an important cost to us, with a total rent roll of £66 million. Our future rent reviews are on a fairly regular pattern with no one year accounting for more than 20 per cent of our current rent payable. Despite such a large rent charge, our cover against fixed charges (being profit before taxation and exceptional items plus property rentals divided by fixed charges) has improved to 2.0 times compared with 1.8 times in 1993.

PENSION COSTS

Statement of Standard Accounting Practice Number 24, Accounting for pension costs, impacts our results. The net charge for pension costs for the year was £0.3 million (1993 - £1.6 million), after a credit of £8.3 million (1993 - £8.4 million) calculated in accordance with SSAP 24. An updated Actuarial Valuation will be available in time for the 1995 results.

Shareholder Information

SHAREHOLDER ANALYSIS

A summary of holdings as at 17 May 1994 is as follows

	Storehouse Ordinary shares	
	Number million	Number of holders
Banks	0.1	29
Insurance companies and pension funds	56.8	46
Nominee companies	292.2	1,543
Other corporate holders	33.8	491
Individuals	32.5	44,474
	415.4	46,583

SHARE PRICE DATA

	1994	1993
Share price at 31 March 1994 (26 March 1993)	226p	189p
Market capitalisation	£939m	£777m
Share price movement during the year : high	249p	217p
low	183p	111p

All share prices are quoted at the mid-market closing price. The market value of the ordinary shares, as calculated for the purpose of capital gains tax, on 31 March 1982 was as follows: BhS 155p, Habitat Mothercare 133p.

FINANCIAL CALENDAR

	1994
Annual General Meeting	14 July
Payment of final dividend	11 August
Interim Report	End-November
	1995
Payment of interim dividend	Mid-February
Preliminary announcement of results for 52 weeks to 1 April 1995	End-May
Issue of Report and Accounts	Mid-June
Annual General Meeting	Mid-July
Payment of final dividend	Mid-August

SHAREHOLDER SERVICES

Investors in Storehouse ordinary shares may take advantage of a low cost dealing service. Further details on the low cost share dealing service can be obtained from Cazenove & Co, 12 Tokenhouse Yard, London EC2R 7AN. Telephone 071 606 1768.

Directors' Report

The directors present their annual report on the Group and the audited consolidated accounts for the 53 weeks ended 2 April 1994.

REVIEW OF THE BUSINESS Group operations and future plans are reviewed on pages 3 to 19 in the Chairman's Statement, Chief Executive's Review, Operational Reviews and Financial Commentary.

DIVIDEND The directors recommend a final dividend for 1993/94 of 3.0p per ordinary share, making 5.5p per share for the year. The total cost of the dividend for the year is £22.9 million. The recommended transfer to reserves is therefore £17.2 million. The final dividend will be paid on 11 August 1994 to shareholders on the register on 14 July 1994.

FIXED ASSETS As reported in greater detail in Note 12, the Group significantly increased its investment in property on the ending, on 4 May 1993, of the Oppidan joint venture and the purchase of most of the BhS and Mothercare properties formerly held within Oppidan.

An internal valuation of the Group's properties, other than those leased on a rack rent, showed a net surplus over the book value of those properties of £13 million. No surplus has been incorporated into the 1994 accounts.

SUBSTANTIAL SHAREHOLDINGS On 17 May 1994 the following had advised the Company of interests in three per cent or more of the ordinary share capital.

Name of Company	Number of shares	Percentage held
Baring Investment Management Limited	38.5m	9.3%
M&G Investment Management Limited	29.3m	7.1%
Prudential Corporation	21.4m	5.2%
B.A.T. Industries plc	13.2m	3.2%
Provident Mutual Group	12.9m	3.1%

DIRECTORS The directors of Storehouse PLC and the share interests of the directors at the end of the year are shown on page 2 and in Note 20 respectively.

Keith Edelman was appointed Group Chief Executive on 23 August 1993, Martin Sorrell was appointed a non-executive director on 26 January 1994 and Dick Steele was appointed Group Finance Director on 18 April 1994. As new directors since the date of the last Annual General Meeting, they are proposed for re-election at the Annual General Meeting on 14 July 1994. David Tagg retires by rotation at the Annual General Meeting and is also proposed for re-election. Graham Rider resigned as a director on 11 October 1993, and Sir Christopher Bland on 25 October 1993. Ann Iverson will resign as a director with effect from 10 June 1994.

No director has or had any material interest in any contract of significance with the Group. Steve Bedford was a director of Oppidan Estates Limited prior to the disposal of Storehouse's 50 per cent shareholding to London & Edinburgh Trust PLC.

Keith Edelman and Dick Steele have service contracts which can be terminated by the Company giving two years' prior notice. Martin Sorrell and David Tagg do not have service contracts with the Company.

BOARD COMMITTEES The Company established some years ago both an Audit Committee and a Remuneration Committee. The Audit Committee is made up of Dr Margaret Downes (Chairman), Martin Sorrell and David Tagg. It reviews accounting policies and practices, the published half year and full year accounts and matters related to audit and financial controls. The Remuneration Committee is chaired by David Tagg and also comprises Ian Hay Davison and Martin Sorrell. It determines the remuneration and the

Directors' Report

terms of service of the executive directors and reviews the operation of the Executive Share Option Scheme. Both committees have written terms of reference covering their authority and duties.

Keith Edelman chairs the Executive Committee which is made up of the executive directors of the Company and meets formally every month.

The Board has established a Nomination Committee consisting of Ian Hay Davison, Chairman, Keith Edelman and David Tagg. The Committee will carry out the selection process and make proposals to the Board for appointments to the Board.

CORPORATE GOVERNANCE The directors have reviewed the Report of the Committee on the Financial Aspects of Corporate Governance. The Company complies with all the recommendations set out in the Committee's Code of Best Practice other than those two reporting requirements with which compliance is not possible, as noted in the Code, until the necessary guidance for companies has been developed.

In addition to their audit of the financial statements, our auditors Arthur Andersen have reviewed the directors' statement set out above concerning the Company's compliance with the Code of Best Practice, insofar as it related to the paragraphs of the Code which the London Stock Exchange has specified for their review, namely:

- the need for a formal schedule of matters reserved for the board (1.4);
- procedures for directors to obtain independent advice (1.5);
- the selection and appointment of non-executive directors (2.3 and 2.4);
- service contracts and remuneration of executive directors (3.1, 3.2 and 3.3);
- the establishment of an audit committee (4.3); and
- the acknowledgement of directors' and auditors' responsibilities (4.4).

They carried out their review having regard to the Bulletin 'Disclosures Relating to Corporate Governance' issued by the Auditing Practices Board.

The auditors have reported to the directors that through enquiry of directors and officers of the Company, and examination of relevant documents, they have satisfied themselves that the directors' statement appropriately reflects the Company's compliance with the specified paragraphs of the Code.

EMPLOYEES The Group's commitment to performance related pay has continued during the last year. Incentive plans, based on four-weekly sales targets have continued for store staff, thereby enhancing commitment to increasing sales volume and engendering an awareness of the Company's targets and its comparative performance. For more senior jobs, annual incentive plans, based on company profits and relevant departmental objectives, encourage concentration on improving shareholder value and attracting, motivating and retaining key employees.

There has also been an increased emphasis on individual development; at the store level through a systematic self-learning process, and at management level through cross-functional project teams and both internal and external training programmes.

Wherever practical, due consideration is given to disabled people, either through employment opportunities, compatible with the skills and aptitudes of the individual themselves, or through the retention of existing employees who become disabled, by the provision of requisite employment aids.

CHARITABLE DONATIONS The Group's charitable donations in the year amounted to £154,000 (1993 - £253,000). A report on the charitable activities of the Group and its employees is given on page 17.

CLOSE COMPANY STATUS The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Directors' Report

LIABILITY INSURANCE FOR GROUP OFFICERS The Company maintains liability insurance for the directors and officers of the Company and its subsidiary undertakings.

AUDITORS A resolution to re-appoint Arthur Andersen as auditors to the Company will be proposed at the Annual General Meeting on 14 July 1994.

SPECIAL BUSINESS AT THE AGM

Disapplication of Pre-emption Rights

The directors currently have authority to allot at any time up to 10 July 1996 ordinary shares up to the authorised share capital. Any allotment of shares for cash pursuant to such authority would, except in certain limited circumstances set out in the proposed Special Resolution, be on a pre-emptive basis. The directors consider it desirable to continue to disapply the pre-emption provisions in these limited circumstances in order to overcome certain difficulties which could otherwise arise on a rights issue, to allow the Group to raise money through a limited issue of shares for cash and to allow the limited issue of convertible debt instruments. Approval is therefore being sought to disapply the pre-emption provisions in section 89 of the Companies Act 1985 in accordance with and subject to the limitations set out in the proposed Special Resolution.

Changes to the Articles of Association

Approval is being sought at the Annual General Meeting to three changes to the Company's Articles of Association. An explanation of the changes is set out in the Chairman's letter accompanying this Annual Report, and the proposed changes are set out in full in the Notice of Meeting on page 47.

By order of the Board

GA Johnson

Company Secretary

26 May 1994

Directors' Responsibilities for the Accounts

The following statement has been prepared, in accordance with the Cadbury Code of Best Practice, in order to explain the directors' responsibilities for preparing the accounts. It should be read in conjunction with the Auditors' Report set out below.

The directors are required to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of its financial year, and of the profit of the Group for the financial year. The directors are also required to ensure that adequate accounting records are maintained. In preparing the accounts, the directors consider that appropriate accounting policies consistently applied and supported by reasonable and prudent judgements have been used. Applicable accounting standards have been followed. The accounts have been prepared on a going concern basis.

The directors are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Auditors' Report

To the Shareholders of Storehouse PLC

We have audited the accounts on pages 25 to 45 which have been prepared under the historical cost convention and the accounting policies set out on page 30.

Respective Responsibilities of Directors and Auditors

As described above, the Company's directors are responsible for the preparation of the accounts and it is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 2 April 1994 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors
London
26 May 1994

Group Profit Statement

For the fifty three weeks ended 2 April 1994 (Note 1)

	1994 £ million	1993 £ million
Turnover (excluding sales taxes) *(Notes 2 and 3)*		
Continuing businesses	1,045.5	966.8
Discontinued businesses	-	172.5
	1,045.5	1,139.3
Cost of sales *(Note 3)*	(948.1)	(1,047.0)
Gross Profit	97.4	92.3
Administrative expenses *(Note 3)*	(31.0)	(49.3)
Profit from Retail Operations *(Notes 2 and 3)*		
Continuing businesses	66.4	48.5
Discontinued businesses	-	(5.5)
	66.4	43.0
Share of results of associated undertakings and other income *(Note 12)*	-	5.1
Exceptional items - loss on disposal of discontinued businesses *(Note 4)*	(6.4)	(31.4)
Interest and other items *(Note 5)*	2.4	(1.5)
Profit on Ordinary Activities before Taxation	62.4	15.2
Tax on profit on ordinary activities *(Note 6)*	(22.3)	(14.8)
Profit for the Financial Year	40.1	0.4
Dividends *(Note 7)*	(22.9)	(20.6)
Retained profit (loss) for the financial year *(Note 18)*	17.2	(20.2)
Earnings per share *(Note 8)*	9.7p	0.1p
Earnings per share excluding exceptional items *(Note 8)*	11.3p	7.8p

Statement of Total Recognised Gains and Losses

For the fifty-three weeks ended 2 April 1994 (Note 1)

	1994 £ million	1993 £ million
Company	48.8	(28.8)
Subsidiary undertakings	(8.7)	27.6
Associated undertakings	-	1.6
Profit for the financial year	40.1	0.4
Currency translation differences on foreign currency net investments	(0.1)	(5.8)
	40.0	(5.4)

A statement of the movement in reserves is shown in Note 18

The accounting policies on page 30 and the notes on pages 31 to 45 form an integral part of these Statements.

Group and Company Balance Sheets

as at 2 April 1994 (Note 1)

	Group		Company	
	1994 £ million	1993 £ million	1994 £ million	1993 £ million
Fixed Assets				
Tangible assets *(Note 9)*	387.7	327.4	0.4	0.5
Investments *(Note 10)*	-	28.7	335.3	285.1
	387.7	356.1	335.7	285.6
Current Assets				
Stocks	127.9	122.2	-	-
Debtors *(Note 13)*	59.3	72.2	121.2	97.0
Cash at bank and in hand	43.6	34.2	-	16.7
	230.8	228.6	121.2	113.7
Creditors (amounts falling due within one year - *Note 14)*	(153.6)	(135.8)	(92.7)	(66.3)
Net Current Assets	77.2	92.8	28.5	47.4
Total Assets Less Current Liabilities	464.9	448.9	364.2	333.0
Creditors (amounts falling due after more than one year - *Note 15)*	[illegible]	(6.1)	-	(0.1)
Provisions for Liabilities and Charges *(Note 16)*	(18.5)	(18.9)	-	-
	446.4	423.9	364.2	332.9
Capital and Reserves				
Called-up share capital *(Note 17)*	41.5	41.1	41.5	41.1
Share premium account *(Note 18)*	19.1	14.1	19.1	14.1
Acquisition and merger reserves *(Note 18)*	95.5	95.5	-	-
Profit and loss account *(Note 18)*	290.3	273.2	303.6	277.7
	446.4	423.9	364.2	332.9

Approved by the Board on 26 May 1994

K Edelman

R J Steele

Directors

The accounting policies on page 30 and the notes on pages 31 to 45 form an integral part of these Balance Sheets.

REHOUSE

Group Cash Flow Statement

for the fifty-three weeks ended 2 April 1994 (Note 1)

		1994		1993
	£ million	£ million	£ million	£ million
Net cash inflow from operations (*Note a*)		100.1		3.8
Returns on investments and servicing of finance				
Interest received	3.5		7.9	
Interest paid	(2.1)		(9.9)	
Dividends paid	(20.7)		(20.6)	
Net cash outflow from returns on investments and servicing of finance		(19.3)		(22.6)
Taxation				
Corporation tax (including ACT)	(16.7)		2.0	
Overseas tax	(0.5)		(1.3)	
Tax (paid) received		(17.2)		0.7
Investing activities				
Capital expenditure	(46.2)		(41.7)	
Net cash on sale of subsidiary undertakings (*Note e*)	18.8		83.5	
Cash on transfer of properties to Oppidan			0.7	
Oppidan (*Note 12 and Note e*)	(36.2)			
Sale of fixed assets	8.5		8.0	
Net Cash (Outflow) Inflow from Investing Activities		(55.1)		50.5
Net Cash Inflow before Financing		8.5		32.4
Financing				
Issue of share capital (*Note 18*)	5.4		1.6	
Redemption of convertible subordinated bond (*Note c*)	(0.1)		(35.2)	
Redemption of unsecured loan stock (*Note c*)			(13.4)	
Other loans (*Note c*)			0.5	
Net Cash Inflow (Outflow) from Financing		5.3		(46.5)
Net Cash Inflow (Outflow) (*Note b*)		13.8		(14.1)
Increase in Net Cash (*Note d*)		13.9		42.3

The accounting policies on page 30 and the notes on pages 31 to 45 form an integral part of this Group Cash Flow Statement.

Notes to the Group Cash Flow Statement

for the fifty-three weeks ended 2 April 1994 (Note 1)

(a) Reconciliation of Net Cash Inflow from Operations	1994 £ million	1993 £ million
Profit from Retail Operations	66.4	43.0
Depreciation	30.6	40.6
Statutory French employee profit sharing scheme	-	(0.1)
Increase in stocks	(5.7)	(24.8)
Increase in debtors	(0.2)	(19.9)
Increase (decrease) in creditors	10.1	(34.4)
	101.2	4.4
Net cash flow in respect of exceptional costs excluding disposals	(1.1)	(0.6)
Net Cash Inflow from Operations	100.1	3.8

(b) Analysis of Changes in Cash, Overdrafts and Cash Equivalents	Cash £ million	Overdraft £ million	Short term element of loans £ million	Net £ million
Balance at 28 March 1992	80.3	(39.6)	1.8	42.5
Net cash outflow	(40.9)	28.6	(1.8)	(14.1)
Effect of exchange fluctuations	(5.2)	1.3	[illegible]	(3.9)
Balance at 27 March 1993	34.2	(9.7)	[illegible]	24.5
Net cash inflow	9.4	4.4	[illegible]	13.8
Balance at 2 April 1994	43.6	(5.3)	[illegible]	38.3

(c) Analysis of Changes in Financing	Unsecured loan stock £ million	Eurobond £ million	Other £ million
Balance at 28 March 1992	13.4	27.9	19.1
Redemption and repayment of loans	(13.4)	(35.2)	(0.8)
Premium paid on redemption	-	7.4	-
Subsidiary undertakings sold (*Note e*)	-	-	(17.2)
Proceeds on issue of new loans	-	-	1.3
Effect of exchange fluctuations	-	-	(2.4)
Balance at 27 March 1993	-	0.1	-
Redemption of Eurobond	-	(0.1)	-
Balance at 2 April 1994	-	-	-

(d) Analysis of Net Cash	1994 £ million	1993 £ million
Cash at bank and in hand	43.6	34.2
Bank overdraft	(5.3)	(9.7)
Eurobond	-	(0.1)
Net Cash	38.3	24.4

Accounting Policies

ACCOUNTING CONVENTION The accounts have been prepared under the historic cost convention and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION The Group accounts include the accounts of the Company and all its subsidiary undertakings drawn up to the close of business on 2 April 1994.

Intercompany transactions have been eliminated on consolidation. The results of companies acquired or disposed of in the year are included to the date of disposal or from the effective date of acquiring control. Goodwill arising on the acquisition of subsidiary undertakings and representing the difference between the consideration given and the fair value of the net assets acquired is written off to reserves but included in the calculation of the loss/gain on subsequent disposal. As provided by the Companies Act 1985, the Company does not disclose its own separate profit and loss account.

STOCKS Stocks consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Cost includes an appropriate element of overhead expenditure.

LEASED ASSETS All of the Group's leased assets are under operating leases. Operating leases are charged to profit and loss as incurred.

DEFERRED TAXATION Deferred taxation is provided on the excess of capital allowances over book depreciation and in respect of short-term timing differences to the extent that the directors are of the opinion that such tax will become payable in the foreseeable future.

TANGIBLE FIXED ASSETS Tangible fixed assets are included at cost, less accumulated depreciation. Depreciation is not provided on freehold stores as it is the Group's practice to maintain these assets in a continual state of sound repair. Accordingly the Directors consider that the lives of these assets and the estimated residual values based on prices prevailing at time of acquisition, are such that any depreciation charge would be insignificant. Depreciation is charged on a straight-line basis over the following periods. Freehold land is not depreciated.

Freehold buildings other than stores - 50 years
Fixed equipment in freehold buildings - 20 years
Leasehold improvements - the period of the lease
Fixtures, fittings and equipment - 3 - 20 years

PENSION COSTS The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term costs. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees.

FOREIGN CURRENCY Transactions in foreign currencies are translated into local currency at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into local currency at the rates ruling at each balance sheet date. Resulting exchange gains or losses are included in trading profit. For the purposes of consolidation, the results of overseas subsidiary undertakings are translated at average rates of exchange during the year. Translation differences on the opening net assets and results for the year of overseas subsidiary undertakings, net of gains or losses on related foreign currency borrowing, are dealt with through reserves.

INVESTMENTS The Company's investment in subsidiary undertakings is stated at cost less amounts written-off. Dividends receivable are credited to the Company's profit and loss account.

TURNOVER Group turnover comprises the value of sales (excluding sales taxes and net of discounts) of goods in the normal course of business.

Notes to the Accounts

1 BASIS OF PRESENTATION

The Company's accounting period covers the 53 weeks ended 2 April 1994. The comparative period covered the 52 weeks ended 27 March 1993. There have been no significant changes in the Financial Statements as a consequence of new accounting pronouncements or because of changes in accounting policies.

2 SEGMENTAL INFORMATION

Turnover and retail profit by business segment

	Turnover 1994 £ million	Turnover 1993 £ million	Retail Profit 1994 £ million	Retail Profit 1993 £ million
Continuing businesses	1,045.5	966.8	66.4	48.5
Discontinued businesses:				
Richards		49.9		(3.4)
Conran's Habitat		17.1		(5.2)
Habitat Europe		105.5		3.1
Total of discontinued businesses		172.5		(5.5)
Total turnover and retail profit	1,045.5	1,139.3	66.4	43.0

Turnover and retail profit by geographical origin

	Turnover 1994 £ million	Turnover 1993 £ million	Retail Profit 1994 £ million	Retail Profit 1993 £ million
UK	1,045.5	1,055.1	66.4	44.2
France		67.1		4.0
USA		17.1		(5.2)
	1,045.5	1,139.3	66.4	43.0

Turnover by destination is not materially different from that disclosed above.

3 SUPPLEMENTARY PROFIT AND LOSS INFORMATION

	1994 Continuing £ million	1993 Continuing £ million	1993 Discontinued £ million	1993 Total £ million
Turnover	1,045.5	966.8	172.5	1,139.3
Cost of sales	(948.1)	(887.5)	(159.5)	(1,047.0)
Administrative expenses	(31.0)	(30.8)	(18.5)	(49.3)
Profit from retail operations	66.4	48.5	(5.5)	43.0

3 SUPPLEMENTARY PROFIT AND LOSS INFORMATION *(continued)*

Profit from retail operations has been determined after charging/crediting the following items:

	1994	1993		
	Total Continuing £ million	Continuing £ million	Discontinued £ million	Total £ million
Depreciation of tangible assets	30.6	34.1	6.5	40.6
Hire of equipment	6.4	3.6	-	3.6
Rent of properties	66.0	62.4	20.0	82.4
Auditors' remuneration - audit	0.2	0.2	-	0.2
- non-audit	0.3	0.2	0.5	0.7
Exchange gain	-	-	2.1	2.1
Staff costs:				
Wages and salaries (including bonuses)	106.8	114.0	25.4	139.4
Social security costs	7.2	6.9	4.7	11.6
Other pension costs	0.3	1.0	0.6	1.6

Directors' emoluments (including pension contributions):

	1994 £ thousand	1993 £ thousand
Fees	157.3	124.5
Salaries and other benefits	922.6	1,087.2
Bonuses	171.5	3,434.9
Pension contributions	76.3	120.4
	1,327.7	4,767.0

The fees of the Chairman were £106,300 (1993 - £79,487). He is not entitled to a pension.
The emoluments of Ann Iverson, the highest paid director over the year (1993 - David Dworkin), were:

	1994 £	1993 £
Salary and other benefits	286,743	575,850
Bonus	171,500	2,714,624
Pension contributions	37,743	84,021
	495,986	3,374,495

Keith Edelman, the Group Chief Executive, joined the Company on 23 August 1993 and therefore his emoluments from that date to the end of the financial year, and not for a full year, are included within the details of directors' emoluments. On an annualised basis his emoluments including pension were £606,175. The interests of the Directors in the share capital of the Company are shown in Note 20 on page 44.

The Company has both annual and long term bonus arrangements for its executive directors. The annual bonus scheme is based on profit and cash generation targets and provides for payments ranging between 20 per cent and a maximum of 100 per cent of salary. The long term scheme was introduced this year. Bonuses, in the form of shares in the Company held in a trust, can be earned if the Company, over a period of three financial years, achieves specific EPS and share price growth targets, measured against other major non-food retailers in the FT - Stores Index. In the instance of Steve Bedford, in view of his contribution to the improved performance of the Company over the last two years, the scheme provides for payment to be made to him in 1995 and 1996 of up to 50 per cent of potential bonus if in employment with the Company at that time, irrespective of EPS or share price performance in those later years.

Notes to the Accounts

3 SUPPLEMENTARY PROFIT AND LOSS INFORMATION *(continued)*

573,000 Storehouse shares are capable of allocation to the three executive directors under the scheme. No allocations have yet been made under the scheme.

The emoluments (excluding pension contributions) of the directors of the Company were within the following bands:

			Directors	
			1994	1993
£0	-	£5,000	1	-
£10,001	-	£15,000	1	3
£15,001	-	£20,000	2	-
£25,001	-	£30,000	-	1
£30,001	-	£35,000	-	1
£45,001	-	£50,000	-	1
£55,001	-	£60,000	-	1
£75,001	-	£80,000	-	1
£90,001	-	£95,000	1	-
£105,001	-	£110,000	1	-
£130,001	-	£135,000	[illegible]	1
£145,001	-	£150,000	[illegible]	1
£165,001	-	£170,000	1	-
£255,001	-	£260,000	-	1
£375,001	-	£380,000	1	-
£455,001	-	£460,000	1	-
£525,001	-	£530,000	-	1
£3,290,001	-	£3,295,000	-	1

The above figures do not include any amount for the value of share options granted to or held by directors. Details of the options are given in Note 20 on page 44.

The value of the compensation received by a former director for loss of office amounted to £100,000 (1993 - £1,162,536 relating to five directors). He also retained and has exercised options over 113,732 shares (granted under the executive share option scheme in May 1992), and 144,975 shares (granted in May 1993).

An analysis of the average number of full and part-time employees throughout the Group, including executive directors, is as follows:

	1994		1993	
	Number of employees	Full-time equivalents	Number of employees	Full-time equivalents
UK	18,095	10,136	20,923	11,606
France	-	-	695	613
USA	-	-	298	234
	18,095	10,136	21,916	12,453

4 EXCEPTIONAL ITEMS - LOSS ON DISPOSAL OF DISCONTINUED BUSINESSES

	1994 £ million	1993 £ million
Provision for loan notes	(6.4)	-
Loss on disposal of Richards	-	(4.7)
Loss on disposal of Habitat Europe	-	(1.3)
Loss on disposal of Conran's Habitat	-	(25.4)
Exceptional loss	(6.4)	(31.4)

Full provision has been made against the loan notes issued at the time of the sale of Mothercare Stores Inc as Mothercare Stores Inc has defaulted on its payments.

Richards was sold to Sears Womenswear Limited on 25 October 1992 for some £30 million resulting in a loss on disposal of £4.7 million after disposal costs and the write-off of goodwill of £10 million on the original acquisition. There was a corresponding goodwill credit of £10 million to reserves. Habitat Europe was sold to a subsidiary of the Stichting Ingka Foundation for £78 million on 7 November 1992. Conran's Habitat was sold to MTLO Acquisition Corporation on 3 December 1992.

There is no tax effect on the exceptional items in either year.

5 INTEREST AND OTHER ITEMS

	1994 £ million	1993 £ million
Interest payable:		
Bank loans and overdrafts (repayable within five years, not by instalments)	(1.7)	(7.7)
Unsecured loan stock	-	(0.4)
	(1.7)	(8.1)
Interest receivable	4.1	6.7
	2.4	(1.4)
French statutory employee profit sharing scheme	-	(0.1)
	2.4	(1.5)

6 TAXATION

The charge for tax on profit on ordinary activities comprises:

	1994 £ million	1993 £ million
UK corporation tax at 33% (1993 - 33%)	22.7	19.6
Overseas taxation	0.7	1.1
Deferred taxation	0.6	(5.7)
	24.0	15.0
Adjustment for prior years	(1.7)	(0.8)
Taxation arising on income of the Group	22.3	14.2
Taxation applicable to associated undertakings	-	0.6
	22.3	14.8

Deferred taxation included in the Balance Sheet comprises:

	Group	
	1994 £ million	1993 £ million
Excess of capital allowances over book depreciation	8.2	8.2
Other timing differences	2.2	1.6
ACT recoverable	[illegible]	(0.5)
	10.4	9.3

The movement on deferred taxation in the year was as follows:

	Group £ million
Balance at beginning of year	9.3
ACT recoverable	0.5
Charged to profit and loss	0.6
Balance at end of year	10.4

The amount of deferred taxation cumulatively not provided, principally arising on capital allowances in the Group Balance Sheet, was £17.5 million (1993 - £20 million).

7 DIVIDENDS

	1994 £ million	1993 £ million
Interim of 2.5p per share paid (1993 - 2.5p)	10.4	10.3
Final of 3.0p per share proposed (1993 - 2.5p)	12.5	10.3
	22.9	20.6

8 EARNINGS PER SHARE

	1994	1993
Average number of ordinary shares in issue	413.5m	410.3m
Profit for the financial year	£40.1m	£0.4m
Earnings per share	9.7p	0.1p
Profit for the financial year excluding exceptional items	£46.5m	£31.8m
Earnings per share excluding exceptional items	11.3p	7.8p

Profit for the financial year excluding exceptional items is calculated as profit for the financial year plus the £6.4 million (1993 - £31.4 million) exceptional items as there is no tax effect on exceptional items. This is shown to give the underlying trading performance of the Group. Fully diluted earnings per share is not materially different from the amounts shown above.

9 TANGIBLE ASSETS

The net book value of tangible fixed assets shown in the Group Balance Sheet comprises:

	Properties, including fixed equipment		Fixtures, fittings, equipment	
	Freehold £ million	Leasehold £ million	£ million	Total £ million
Cost:				
Balance at beginning of year	51.6	266.0	265.0	582.6
Additions	0.7	19.8	27.1	47.6
Disposals	(2.7)	(10.2)	(41.2)	(54.1)
On acquisition of subsidiary undertaking	37.3	30.4		67.7
Balance at end of year	86.9	306.0	250.9	643.8
Accumulated depreciation:				
Balance at beginning of year	4.6	67.0	183.6	255.2
Charge for the year	0.2	8.4	22.0	30.6
Disposals	-	-	(29.7)	(29.7)
Balance at end of year	4.8	75.4	175.9	256.1
Net book value:				
Balance at beginning of year	47.0	199.0	81.4	327.4
Balance at end of year	82.1	230.6	75.0	387.7

The net book value of leasehold properties includes £90.3 million (1993 - £83.2 million) in respect of short leasehold properties.

9 TANGIBLE ASSETS *(continued)*

The net book value of tangible fixed assets shown in the Company Balance Sheet comprises:

	Short leasehold £ million	*Fixtures, fittings equipment* £ million	*Total* £ million
Cost:			
Balance at beginning and end of year	0.5	0.3	0.8
Accumulated depreciation:			
Balance at beginning of year	0.1	0.2	0.3
Charge for the year	0.1	-	0.1
Balance at end of year	0.2	0.2	0.4
Net book value:			
Balance at beginning of year	0.4	0.1	0.5
Balance at end of year	0.3	0.1	0.4

10 INVESTMENTS

	Group		Company	
	1994 £ million	1993 £ million	1994 £ million	1993 £ million
Investment in subsidiary undertakings *(Note 11)*	-	-	335.3	264.9
Investment in associated undertakings *(Note 12)*	-	28.7	-	20.2
	-	28.7	335.3	285.1

The Company sold its 50 per cent holding in Oppidan Estates Limited on 4 May 1993. (See Note 12 for details of this transaction).

Notes to the Accounts

11 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The trading subsidiary undertakings of the Company at 2 April 1994 (all wholly owned and all of which are consolidated in the accounts) and their respective countries of incorporation or registration which in the opinion of the directors principally affected the profits or net assets of the Group are:

	Business	Country of Registration
BhS plc*(i)	Retailing	England
BhS (Jersey) Limited	Retailing	Jersey
TCR Properties Limited	Property Management	England
Mothercare UK Limited	Retailing	England
Blazer PLC*	Retailing	England
Storehouse Finance PLC*	Finance Company	England
Storehouse Properties Limited*	Investment Property	England
Davenbush Limited*(i)	Investment Property	England

* Direct subsidiary of Storehouse PLC

Issued share capital represents only ordinary shares or their equivalent except for companies marked (i) where there are also preference shares.

The principal country of operation for the subsidiary undertakings is the United Kingdom except for BhS (Jersey) Limited which operates in Jersey. Details of investments which are not significant have been omitted to avoid a statement of excessive length.

The Company's investment in its subsidiary undertakings is as follows:

	1994 £ million	1993 £ million
Cost of investments less amounts written off	147.8	131.4
Loans to subsidiary undertakings	187.5	133.5
	335.3	264.9

Movement on investments during the year was as follows:

	1994 £ million
Balance at beginning of year	131.4
Additions	18.0
Provisions against diminution in value	(1.6)
Balance at end of year	147.8

The Company acquired Davenbush Limited on 4 May 1993 as set out in Note 12. The Consolidated Accounts reflect the underlying net assets of subsidiaries, therefore the provisions have no effect on the Consolidated Accounts.

12 INVESTMENT IN ASSOCIATED UNDERTAKINGS

	Cost	Loans to associated undertakings	Share of post acquisition profits less losses	Total
	£ million	£ million	£ million	£ million
Balance at beginning of year	16.1	7.5	5.1	28.7
Disposal during the year	(16.1)	(7.5)	(5.1)	(28.7)
Balance at end of year	-	-	-	-

The Group sold its 50 per cent investment in Oppidan Estates Limited to London and Edinburgh Trust PLC (LET), its joint venture partner, on 4 May 1993. The consideration, which represented net book value on disposal, amounted to £26.5 million. The balance of deferred income of £6 million which arose on the original sale of the properties to Oppidan has been offset against the re-acquisition cost of the properties. On the same date the Group acquired Davenbush, one of Oppidan's subsidiaries, for £62.3 million which represented net book value. In addition DHS plc acquired two properties for £2.5 million and during the year the Group sold back to LET three properties for £21 million once Landlords' consent had been obtained for the transfer. The net effect of all these transactions after costs resulted in a net cash outflow of £36.2 million.

The Group's share of results of Oppidan in 1993 were based on the audited accounts for the year ended 31 December 1992. Turnover (excluding sales taxes) amounted to £32.6 million, profit before tax £3.8 million and profit after tax £2.5 million. Other income included £7.9 million realisation of deferred income following the sale of properties to Oppidan in 1989.

The assets and liabilities of the Oppidan group at date of disposal (1993: 31 December 1992) as shown in its accounts are summarised as follows:

		1994 £ million	1993 £ million
Investment properties		128.5	126.4
Investments		-	-
Current assets:	Property stocks	4.9	4.9
	Debtors	2.0	5.4
	Cash	3.0	4.8
		9.9	15.1
Current liabilities:			
Other creditors		(12.4)	(10.6)
Net current (liabilities) assets		(2.5)	4.5
Bank loans - amounts falling due after more than one year		(73.0)	(76.5)
Net assets		53.0	54.4

The bank loans were secured on Oppidan's properties and were issued under a £130 million syndicated revolving credit facility with a five year term ending in July 1994.

13 DEBTORS

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Trade debtors	14.5	11.4	-	-
Amounts due from subsidiary undertakings	-	-	120.9	94.0
Prepayments and accrued income	36.7	25.8	-	-
Loan notes	-	8.4	-	-
Other debtors	8.1	26.6	0.3	3.0
	59.3	72.2	121.2	97.0

The loan notes were issued by Mother's Stores Inc (formerly Mothercare Stores Inc) and Maternity Holding Corporation as part of the sale agreement of Mothercare Stores in March 1991 and by The Conran Stores Inc in December 1992. Full provision for all these loan notes has been made.

Other debtors in 1993 included £18.8 million of deferred consideration arising on the sale of Habitat Group which was paid by 23 November 1993. Included within debtors is £7.2 million (1993 - £8 million) which is due in over one year.

14 CREDITORS *(amounts falling due within one year)*

	Group 1994 £ million	Group 1993 £ million	Company 1994 £ million	Company 1993 £ million
Bank loans and overdrafts	5.3	9.7	56.8	-
Trade creditors	51.9	40.3	0.1	0.2
Proposed dividend	12.5	10.3	12.5	10.3
Current taxation	13.6	21.2	-	-
ACT payable	12.7	0.5	-	-
Amounts due to subsidiary undertakings	-	-	20.9	52.7
Payroll and other taxes, including social security	4.0	4.0	0.1	0.2
Accruals and deferred income	44.0	45.5	2.3	2.9
Other creditors	9.6	4.3	-	-
	153.6	135.8	92.7	66.3

Notes to the Accounts

15 CREDITORS *(amounts falling due after more than one year)*

	Group 1993 £ million	Company 1993 £ million
Convertible subordinated bond	0.1	0.1
Accruals and deferred income	6.0	-
	6.1	0.1

On 2 March 1994, the Company redeemed the balance of £80,000 at par of the 4.25 per cent convertible subordinated bonds due 2001. Interest was payable in arrears on 2 September each year.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1994 £ million	Group 1993 £ million
Pension and similar obligations *(Note 19)*	1.4	1.8
Deferred taxation *(Note 6)*	10.4	9.3
Other provisions	6.7	7.8
	18.5	18.9

The movement in other provisions for exceptional costs during the year was as follows:

	£ million
Balance at beginning of year	7.8
Utilised during the year	(1.1)
Balance at end of year	6.7

17 CALLED-UP SHARE CAPITAL

The authorised share capital is represented by 549,500,000 (1993 - 549,500,000) ordinary shares of 10p each. The called-up share capital, all fully paid is as follows:

	Number of shares	£ million
Balance at beginning of year	411,258,691	41.1
Issued under the Storehouse Sharesave Scheme	230,813	-
Issued under the Storehouse Executive Share Option Scheme	3,887,044	0.4
Balance at end of year	415,376,548	41.5

18 RESERVES

The movement on reserves is as follows:

	Company	Company and Group	Group	Group
	Profit and Loss account £ million	Share premium account £ million	Profit and Loss account £ million	Acquisition and merger reserves £ million
Balance at beginning of year	277.7	14.1	273.2	95.5
Profit for the financial year	48.8	-	40.1	-
Dividends paid and proposed	(22.9)	-	(22.9)	-
Share issue	-	5.0	-	-
Translation differences	-	-	(0.1)	-
Balance at end of year	303.6	19.1	290.3	95.5

The Company's realised gains and losses are the same as the profit for the financial year and the historic cost profit and loss.

The cumulative amount of goodwill resulting from acquisitions, excluding subsequent disposals, arising since the formation of Storehouse which has been written off is £8.1 million (1993 - £8.1 million).

Reconciliation of movements in shareholders' funds for the fifty-three weeks ended 2 April 1994

	1994 £ million	1993 £ million
Profit for the financial year	40.1	0.4
Dividends	(22.9)	(20.6)
	17.2	(20.2)
Translation differences	(0.1)	(5.8)
New share capital subscribed	5.4	1.6
Goodwill adjustment	-	10.0
Net increase (reduction) in shareholders' funds	22.5	(14.4)
Opening shareholders' funds	423.9	438.3
Closing shareholders' funds	446.4	423.9

19 COMMITMENTS

The capital commitments are as follows.

	Group 1994 £ million	Group 1993 £ million
Contracts for capital expenditure	21.2	2.9
Capital expenditure authorised but not contracted for	11.9	4.1
	33.1	7.0

Current annual rental commitments of the Group under operating leases are as follows:

	Buildings 1994 £ million	Buildings 1993 £ million	Other 1994 £ million	Other 1993 £ million
Leases which expire				
- within 1 year	0.5	0.4	0.3	0.2
- between 2 and 5 years	1.1	1.7	2.3	2.1
- over 5 years	72.6	73.5	-	-
	74.2	75.6	2.6	2.3

The Company has committed to support certain of its subsidiary undertakings and has banking cross guarantees with certain of its principal subsidiary undertakings.

Pensions

The Group has operated a number of defined benefit pension schemes for its UK employees in the year. The majority of the assets of each of the schemes are held in a separate trustee Common Investment Fund. The pension costs relating to the schemes were assessed in accordance with the advice of qualified actuaries using primarily the projected unit and current unit methods. The latest actuarial valuations were carried out on 1 April 1991. A further valuation is being carried out effective at 1 April 1994.

The assumptions which have the most significant effect on the results of the valuations are set out below:

Rate of return on investments	9.0%
Rate of increase in salaries	7.0 - 8.0%
Rate of increase in pensions	5.0%

The aggregate market value of the investments at 1 April 1991 was £243.5 million (£224 million excluding Habitat and Richards) and the actuarial values were sufficient to cover between 125 per cent and 264 per cent (average 145 per cent) of the benefits that had accrued to members after allowing for expected future increases in earnings. Following the sales of Habitat and Richards, the Group has two schemes, one for senior managers and one for other staff and at 1 April 1991 if the Group scheme had been in existence, the actuarial value would have been sufficient to cover 140 per cent of the benefits that had accrued to members. The actuarial value in the senior managers' scheme would have covered 164 per cent of accrued benefits.

The total pension cost for the Group is £0.3 million (1993 - £1.6 million) and includes a credit of £8.3 million (1993 - £8.4 million) in respect of the amortisation of pension surpluses arising in prior years which are now being allocated over the remaining estimated service lives of employees of between six and 16 years.

For the protection of members' interests, the Group has appointed three Trustees, two of whom are independent of the Company. To maintain this independence, the Trustees and not the Group are responsible for appointing their own successors.

20 DIRECTORS' INTERESTS

Details of the directors' beneficial interests are as follows:

	Ordinary Shares					Ordinary Shares under Option
	1994 Number	1993 Number	1994 Number	1993 Number	Date of Grant	Option Price
Ian Hay Davison	8,000	8,000				
Keith Edelman	3,000	-*	522,388	-*	Nov 93	201p
Steve Bedford	1,000	1,000	50,975	50,975	Dec 88	205p
			12,000#	12,000#	Dec 89	90p
			76,457	76,457	Jun 90	127p
			87,273	87,273	May 91	99p
			54,085	54,085	May 92	142p
			114,783	114,783	Nov 92	184p
			75,376	-	May 93	199p
			4,312#	-	June 93	160p
			200,000	-	Nov 93	201p
Dr Margaret Downes	5,000	5,000				
Ann Iverson	1,000	-	exercised July 1993	200,000	Jun 90	127p
			153,030	153,030	May 91	99p
Martin Sorrell	2,505					
David Tagg	10,000	10,000				

SAYE (5 year scheme)
* at date of appointment

Ann Iverson was also granted 73,592 executive share options in May 1992 at 142p, 105,527 in May 1993 at 199p and 125,000 in November 1993 at 201p. These options will lapse on her leaving the Company in June 1994.

All options, other than those marked as granted under the SAYE scheme, were granted under the Executive Share Option Scheme. The dates on which they are normally exercisable are shown in Note 21. There has been no movement in directors' interests between 2 April 1994 and 26 May 1994.

Non-beneficial Interests

Steve Bedford is a trustee of the British Home Stores Ltd Employees' Trust Fund, which holds 400,000 (1993 - 550,000) Storehouse shares. Ian Hay Davison and David Tagg are the shareholders and directors of Storehouse Employees' Share Trustee Limited, which holds in trust 773,841 Storehouse shares.

21 EMPLOYEES' AND EXECUTIVE SHARE SCHEMES

The Storehouse Executive Share Option Scheme

Under this scheme selected directors and full-time executives are granted options to acquire shares in the Company. The options are normally exercisable between three and ten years after date of grant. Options are usually granted each year after the announcement of the Company's full year results, but an allocation can also be made after the interim results are announced.

21 EMPLOYEES' AND EXECUTIVE SHARE SCHEMES *(continued)*

The Storehouse Sharesave Scheme (SAYE)

This scheme enables all employees with at least one year's service to acquire options over ordinary shares of the Company at 80 per cent of market price in conjunction with a save-as-you-earn contract. The options are exercisable either five or seven years after the date of commencement (usually two months after the date of grant). The scheme is again being operated in 1994 and invitations will be sent to all eligible employees in May.

Outstanding options at 2 April 1994 under the Group's schemes were as follows:

		Ordinary shares 1994	Ordinary shares 1993	Date of grant	Option price
Current schemes:					
Storehouse Executive Share Option Scheme		645,648	1,017,042	June 86	297p
		95,995	252,361	June 87	290p
		193,250	288,811	June 88	254p
		-	118,047	Nov 88	169p
		50,975	50,975	Dec 88	205p
		344,949	981,222	June 89	161p
		-	500,000	Nov 89	113p
		397,534	1,215,800	June 90	127p
		-	392,000	Nov 90	125p
		1,300,883	2,433,213	May 91	99p
		1,285,430	3,522,396	May 92	142p
		250,653	250,653	Nov 92	184p
		1,474,833	-	May 93	199p
		1,098,876	-	Nov 93	201p
Storehouse Sharesave Scheme	(5 year)	-	188,356	June 87	261p
	(7 year)	119,521	119,858	June 87	261p
	(5 year)	-	127,979	June 88	229p
	(7 year)	38,727	38,727	June 88	229p
	(5 year)	1,344,400	1,524,640	Dec 89	90p
	(7 year)	339,399	390,726	Dec 89	90p
	(5 year)	1,082,546	1,433,369	June 91	79p
	(7 year)	287,732	372,368	June 91	79p
	(5 year)	1,064,931	-	June 93	160p
	(7 year)	173,662	-	June 93	160p
Previous schemes:					
The BhS savings-related share option scheme (7 year)		-	5,354	June 86	284p
		11,589,944	15,223,897		

Five Year Record

SUMMARY OF TURNOVER AND PROFIT:

	1994 £ million	1993 £ million	1992 £ million	1991 £ million	1990 £ million
Turnover	1,045.5	1,139.3	1,179.8	1,208.6	1,310.3
Profit from retail operations	66.4	43.0	10.0	17.3	37.1
Profit from associated undertakings and other income	-	5.1	4.9	1.3	2.0
Exceptional items	(6.4)	(31.4)	-	(36.6)	(38.8)
Interest and other items	2.4	(1.5)	0.9	0.5	(8.6)
Profit before taxation	62.4	15.2	15.8	(17.5)	(8.3)
Taxation	(22.3)	(14.8)	(5.0)	(2.7)	2.7
Profit (loss) for the financial year	40.1	0.4	10.8	(20.2)	(5.6)
Earnings per share	9.7p	0.1p	2.6p	(4.9)p	(1.4)p
Dividend per share	5.5p	5.0p	5.0p	5.0p	5.0p

SUMMARY OF BALANCE SHEETS:

	1994	1993	1992	1991	1990
Fixed assets	387.7	356.1	448.0	457.6	498.3
Net current assets	77.2	92.8	36.5	88.9	127.8
Creditors falling due after one year		(6.1)	(26.3)	(77.6)	(122.3)
Provisions for liabilities and charges	(18.5)	(18.9)	(19.9)	(15.7)	(19.0)
Total net assets	446.4	423.9	438.3	453.2	484.8

OTHER KEY DATA/STATISTICS:

	1994	1993	1992	1991	1990
Net cash (debt)/equity (%)	8.6	5.8	(4.1)	0.9	(5.7)
Capital expenditure	46.2	41.7	45.2	41.8	61.4
Depreciation	30.6	40.6	45.2	45.7	51.0
Rents	66.0	82.4	87.5	76.9	78.5
Number of stores	431	425	736	719	969
Net selling space (000's sq ft)	4,815	4,704	6,452	6,567	7,110
Average number of employees	18,095	21,916	24,440	26,945	30,352
Average number of full-time equivalents	10,136	12,453	14,550	15,759	18,822

Notice of Annual General Meeting

Notice is hereby given that the ninth Annual General Meeting of Storehouse PLC will be held in The Nine Kings Suite at the Royal Lancaster Hotel, Lancaster Terrace, London W2 2TY on Thursday 14 July 1994 at 12.00 noon for the transaction of the following business:

Ordinary Business

1 To receive and adopt the Directors' Report and Accounts for the 53 weeks ended 2 April 1994 together with the report of the auditors.

2 To declare a final dividend of 3.0p per ordinary share.

To re-elect the following directors who have been appointed since the date of the previous Annual General Meeting:

3 Keith Edelman

4 Martin Sorrell

5 Dick Steele

6 To re-elect David Tagg, who retires by rotation in accordance with the Company's Articles of Association.

7 To re-appoint Arthur Andersen as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, to pass resolutions 8–11 set out below which will be proposed as Special Resolutions:

8 The directors be empowered generally pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 (2) of the Companies Act 1985) of the Company as if section 89 (1) of the Companies Act 1985 did not apply to such allotment provided that this authority shall expire 15 months following the passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company and the directors may, before the expiry of this power make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired; provided that this power shall be limited:

(a) in relation to the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities which are or are to be wholly paid up in cash, to an aggregate amount equal to five per cent of the issued share capital of the Company at the date of the passing of this Resolution; and

(b) in relation to the allotment of equity securities in connection with an offer, whether by way of rights issue, open offer or otherwise in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the nominal amount of ordinary shares held by them respectively, to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems under the laws of or the requirements of any regulatory body or stock exchange in any overseas territory.

9 That the Articles of Association of the Company be amended, so as to provide that the Chairman and the Executive Directors are included in the directors subject to retirement by rotation, by deleting the whole of Clause 91 and substituting for it a new Clause 91 in the following terms:

"91. The Chairman of the Board of Directors and the Executive Directors of the Company shall be subject to retirement by rotation and shall be taken into account in determining the rotation of retirement of Directors, and shall (without prejudice to any claim for damages any such Chairman or Executive Director may have for breach of any service contract between him and the Company) be subject to the same provisions as to removal and as to vacation of office as the other Directors of the Company, and if such Chairman or Executive Director ceases to hold the office of Director

Notice of Annual General Meeting

(continued)

from any cause he shall ipso facto immediately (but without prejudice as aforesaid) cease to be Chairman or such Executive Director."

As a consequence of such change Clause 109 of the Articles of Association is hereby amended by the deletion, at the commencement of that Clause of the words; "Subject to the provisions of Article 91 in respect of the Chairman, a Managing Director or Executive Director" so that Clause 109 shall be in the following terms:

"109. At each Annual General Meeting, one third of the Directors who are subject to retirement by rotation, or if their number is not three or a multiple of three then the number nearest to but not exceeding one-third shall retire from office. A Director retiring at a meeting shall retain office until the dissolution of such meeting."

10 That the Articles of Association of the Company be amended so as to provide that the maximum sum payable to non-executive directors is increased to £30,000 per annum by the deletion of "£15,000" in the [illegible] Article 84 and its replacement with "£30,000." Article 84 shall therefore now be as follows:

"84. Each of the Directors shall be paid [illegible] the Company by way of fees for their services such sum per annum not exceeding £30,000 as the Directors may determine from time to time with an additional sum for the Chairman as the Directors may determine from time to time. The Directors shall also receive by way of additional fees such further sums (if any) as the Company in General Meeting may from time to time determine. Such fees and additional fees shall be divided among the Directors in such proportion and manner as they may determine and in default of determination equally. The provisions of this Article shall not apply to the remuneration of any Managing Director or Executive Director which shall be determined pursuant to the provisions of Article 92 hereof."

11 That the Articles of Association be amended by the addition, so as to provide for participation at board meeting by telephone, of a new sub-clause (a) to Article 122 in the following terms:

"A director or his alternate director may participate in a meeting of the board or a committee of the board through the medium of conference telephone or similar form of communication equipment if all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person participating in this way is deemed to be present in person at the meeting and is counted in a quorum and entitled to vote. Subject to the Statutes, all business transacted in this way by the board or a committee of the board is for the purposes of the Articles deemed to be validly and effectively transacted at a meeting of the board or a committee of the board although fewer than two directors or alternate directors are physically present at the same place. The meeting is deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chairman of the meeting then is."

By order of the Board
GA Johnson
Secretary
Marylebone House
129 - 137 Marylebone Road
London NW1 5QD
14 June 1994

Notes: A member entitled to attend and vote at the above meeting may appoint one or more persons to be his proxy or proxies to attend and, on a poll, to vote on his behalf at the meeting. Completion of a form of proxy will not prevent members from attending the meeting and voting in person if they so wish. A proxy need not be a member of the Company. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the office of the Registrar, Lloyds Bank Plc not later than 12 noon on 12 July 1994. The register of directors' interests in the shares of the Company and copies of the directors' service contracts will be available for inspection for at least 15 minutes prior to and at the meeting and at the Registered Office of the Company during normal business hours on any weekday (except Saturday) from the date of this notice until the meeting