

Storehouse plc



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COMPANIES HOUSE

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25/07/00

Group turnover £1,266.1 million

Profit from retail operations before exceptional items £13.5 million

Profit before tax and exceptional items £7.0 million

Bhs disposal – initial cash consideration of £224.3 million received

Cash return to shareholders of approximately £100 million proposed

Financial summary

	Turnover excluding sales taxes (£m)		Profit from retail operations (£m)	
	2000	1999	2000	1999
Bhs	<b>822.4</b>	856.2	<b>13.1</b>	86.4
Mothercare	<b>443.7</b>	472.4	<b>0.4</b>	17.9
Before exceptional items	<b>1,266.1</b>	1,328.6	<b>13.5</b>	104.3
Profit before tax and exceptional items			<b>7.0</b>	98.6
Earnings per share before exceptional items			<b>1.6p</b>	16.8p
Net gearing			<b>30.8%</b>	14.8%

## chairman's statement

The performances of both Bhs and Mothercare in the financial year 1999/2000 continued to be affected by the adverse factors which have been characteristic of the clothing and general retail merchandise sectors over the last two years. Unprecedented changes in consumer spending patterns, price deflation, increasing costs and new competition from fast-expanding discount retailers have all taken their toll.

Against this background, the board took a number of decisions during the year concerning the strategy and direction of the group and its businesses. Following management changes last summer, the board carried out a fundamental review of the group, the Bhs and Mothercare businesses and the markets in which they operate, the conclusions of which were announced in November in the group's interim report.

At that time the board set out recovery programmes to reposition both Bhs and Mothercare in their respective markets and to restructure the two businesses to operate in the future as separate, independent companies, at which time Storehouse would be dissolved.

The strategies set out for each of the businesses recognised the requirement for a significant turnaround in Bhs and a recovery programme for Mothercare. However, as the year progressed, the performance of Bhs continued to decline with like-for-like sales and margins down on the year and losses in market share in both clothing and home, undermining the turnaround strategy and the board's plans to separate Bhs and Mothercare.

Against this background, in February 2000 Storehouse received a number of approaches from parties interested in acquiring the whole or parts of the group. The board reviewed those approaches in the context of the continuing underperformance of Bhs and the

Storehouse share price. The board also considered that the future prospects of Bhs were likely to deteriorate further in an increasingly competitive marketplace in which branded and discount retailers are rapidly increasing sales and market share.

In the light of all these factors, the board concluded that the sale of Bhs for a cash consideration of £200 million subject to adjustments was the best option for shareholders and would deliver significant benefits to the ongoing group by releasing the necessary resources to accelerate the Mothercare recovery programme. On 16 May 2000, Storehouse shareholders approved the sale of the Bhs business to Measuremarket Ltd, a company wholly owned by Philip Green and his family. Following completion of the transaction on 22 May 2000, an initial cash consideration of £224.3 million has been received, including £24 million arising from movements in working capital. The final level of consideration will be subject to a completion statement.

The Mothercare recovery programme, as set out in November, is beginning to have an effect, with the business returning to profit in the second half of the year. In particular, the board has been encouraged by the performance of the large format Mothercare World stores.

The recovery programme aims to restore Mothercare's brand position as the destination store for all the needs of parents and young children, through three delivery channels: UK stores (Mothercare World and Mothercare high street), Mothercare International and Mothercare Direct. Mothercare Direct includes both the mail order catalogue and Mothercare.com, the new transactional web site to be launched in June 2000. The combination of these delivery channels will provide the customer with maximum access to Mothercare's products and services. A full statement on Mothercare and its strategy is set out on pages 9 to 14.

#### **GROUP RESULTS**

Group operating profit before exceptional items was £13.5 million, compared to £104.3 million last year, on sales of £1,266.1 million (1999 – £1,328.6 million) which were down by 4.7 per cent. Following an interest charge of £6.5 million, profit before tax and exceptional items, was £7.0 million (1999 – £98.6 million).

Earnings per share before exceptional items were 1.6p (1999 – 16.8p). As with the interim dividend, no final dividend is proposed (1999 – 9.1p).

In view of the trading conditions, strict cash controls were implemented. Net debt at the year end was £69.4 million (1999 – £91.2 million). Balance sheet gearing was 30.8 per cent (1999 – 14.8 per cent).

#### **BHS RESULTS**

Sales for the year ended 1 April 2000 were £822.4 million (1999 – £856.2 million). UK like-for-like sales in the first half year were 9.2 per cent lower and 4.4 per cent lower in the second half year, resulting in a reduction of 6.5 per cent for the year as

a whole (excluding the 53rd week). UK gross margin (excluding the 53rd week) fell by 2.3 percentage points. Sales to Bhs overseas franchisees (excluding the 53rd week) were down 54.7 per cent compared to last year, from £42.5 million to £19.3 million.

Profit from retail operations before exceptional items, interest and tax was £13.1 million (1999 – £86.4 million).

#### **FINANCIAL EFFECTS OF THE DISPOSAL OF BHS**

It is the board's intention to return approximately £100 million (equivalent to 23p per share) of the proceeds of the disposal of Bhs to shareholders, repay all group debt, and to apply the remainder of the proceeds, net of costs, to the development of Mothercare. The effect of this will be to provide a secure financial base for the Mothercare business.

Proceeds will be returned to shareholders by means of a capital reduction to be implemented via a scheme of arrangement under Section 425 of the Companies Act 1985. The procedures and special resolutions required to effect the return of capital are set out in a circular to be sent out to shareholders. Approval of this scheme of arrangement will be sought at a Court Meeting and Extraordinary General Meeting to be held, subject to Court approval, before the Company's Annual General Meeting on 20 July 2000.

The board will seek approval at the Annual General Meeting to change the name of Storehouse plc to Mothercare plc.

#### **MOTHERCARE RESULTS**

Profit from retail operations before exceptional items, interest and tax amounted to £0.4 million (1999 – £17.9 million) with a return to profit in the second half year of £3.7 million. Excluding the disposal stores, the ongoing Mothercare business generated a profit of £5.7 million, with sales in the UK (excluding the 53rd week) up 1.5 per cent (flat on a like-for-like basis) and gross margins down 2.0 percentage points. In the second half year UK sales grew 3.3 per cent (excluding the 53rd week) and gross margins declined 0.3 percentage points on last year. Sales to overseas franchisees declined by 25.4 per cent (excluding the 53rd week) with a second half decline of 5.3 per cent.

Of the 82 disposal stores there were 20 remaining at the year end. Since the year end, contracts have been exchanged on ten of these and a further four are under offer.

#### **EXCEPTIONAL CHARGE**

An exceptional charge of £396.4 million has been taken which relates to one-off costs in four categories: the loss on disposal of Bhs, the initial implementation of the turnaround plan at Bhs as announced in November, the restructuring at Mothercare required as part of the recovery programme set out in November and the break-up of the Storehouse head office.

#### **MANAGEMENT**

As a result of the disposal of Bhs, Stephen Tague, managing director of Bhs and executive director of Storehouse, left the group at the end of May.

Chris Martin, previously group finance director at Storehouse has been appointed Chief Executive Officer of Mothercare.

The Mothercare business has previously been operated as three separate divisions: Mothercare UK, Mothercare Direct and Mothercare International, each with their own management teams reporting directly to the Storehouse board. In order to drive the Mothercare recovery programme more effectively through the three delivery channels, both in the UK and internationally, these divisions have been integrated in a new Mothercare structure. These changes will ensure that products and services across all divisions are developed to deliver the Mothercare brand potential with greater consistency in UK and overseas stores, as well as through the catalogue and Mothercare.com.

#### **EMPLOYEES**

This has been a year of great uncertainty and change for employees of Storehouse, Bhs and Mothercare. Despite this, however, our people have remained committed to driving the businesses to deliver improvements in many areas. It is with some sadness that the board took the decision to recommend the sale of Bhs, but in doing so the board is confident that the outcome has secured a more positive future for both the Bhs business and for Mothercare.

On behalf of the board, I would like to thank everyone at Bhs and Mothercare for their dedication and professionalism during the year. The board would also like to wish everyone at Bhs every success as the company moves into a new and exciting era.



**ALAN SMITH** CHAIRMAN

**MOTHELCARE PROFILE**

PEOPLE AT 1 APRIL 2000

	Total employees		Full-time equivalents	
	2000	1999	2000	1999
Head office (including Storehouse)	<b>451</b>	441	<b>433</b>	427
Stores	<b>5,312</b>	5,690	<b>2,219</b>	2,508
<b>Total</b>	<b>5,763</b>	6,131	<b>2,652</b>	2,935

STORES AT 1 APRIL 2000

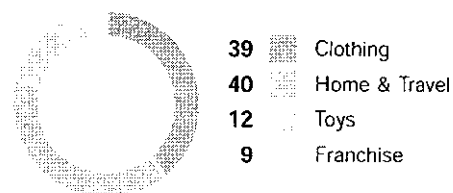
	Total selling area (000s sq ft)		Number of stores	
	2000	1999	2000	1999
Mothercare World	<b>1,058</b>	1,012	<b>61</b>	62
Mothercare high street	<b>918</b>	924	<b>194</b>	197
<b>On-going Mothercare chain</b>	<b>1,976</b>	1,936	<b>255</b>	259

FRANCHISE STORES OPERATE IN THE FOLLOWING AREAS

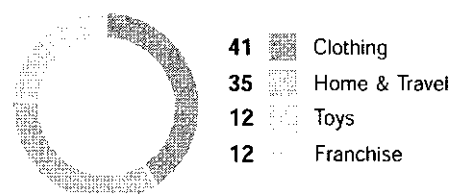
	Europe	Middle East	Far East	Other	Total
At 27 March 1999	62	65	43	2	172
<b>At 1 April 2000</b>	<b>63</b>	<b>69</b>	<b>34</b>	<b>3</b>	<b>169</b>

**PRODUCTS**

2000 turnover by product (%)



1999 turnover by product (%)



a helping hand in  
life's great adventure

Mothercare



*Far left: Over 90 per cent of mothers-to-be visit Mothercare stores for expert advice and information on a wide range of products. Left: the popular Personal Shopper service is available at Mothercare World stores.*

## business review

More than 90 per cent of first-time mothers-to-be and over 80 per cent of all pregnant women go to Mothercare for advice on buying products for their young families. Combined with the fact that Mothercare's customer base crosses all socio-economic groups, customers today demand the widest possible range of products at prices to suit all pockets.

The overall strategic objective of the Mothercare recovery programme is therefore to restore Mothercare's brand position as the destination store for the mother-to-be and parents of young children, offering the widest range of clothing, hardware and toys for the pre-school child, in the UK and internationally. This is being delivered through three channels:

**UK stores** – Mothercare World, located out of town and on larger high streets, and Mothercare high street stores.

**Mothercare Direct** – including the Mothercare Direct mail order catalogue and the transactional web site, Mothercare.com, which will be launched in June 2000.

**Mothercare International** – franchise business which already trades in 36 countries around the world.

### **PRODUCTS**

The Mothercare product range in hardware, such as prams, cots and feeding equipment, is already the most comprehensive range in the UK market, providing both branded and Mothercare own brand products across a full range of price points.

The company has achieved consistent growth in hardware sales over the last three years, and has grown its market leadership position in key areas.

Mothercare's successful own label, pre-school toy range is growing and continues to be developed with a strong focus on education and development, as well as fun, for the pre-school child. This own brand range is offered alongside other leading brands and will be developed to destination status.

By contrast, Mothercare's clothing ranges have performed poorly in recent years, largely as a result of trying to cover too wide an age range. As a result, the width and depth of clothing ranges for the core Mothercare pre-school customer has been poor. This has now changed and future clothing ranges will provide the same comprehensive coverage for the pre-school child as that of the hardware range. The clothing range will cover all product areas and all price points, through a wider and deeper offer of Mothercare branded products, as well as selected, well-known branded childrenswear.

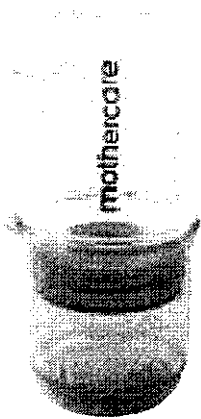
This spring a number of new clothing brands have been introduced, on a trial basis, to the new Mothercare World store in Kew, Surrey. These brands, which include Oilily, Osh Kosh, Chicco and Petit Bateau, are to be introduced into further Mothercare World stores over the coming months.

#### **STORES**

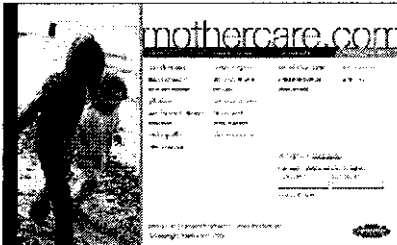
The Mothercare store portfolio comprises two store formats: Mothercare World (stores larger than 10,000 sq ft) and Mothercare high street stores. Mothercare World stores are located both out of town and on larger high streets.

The expansion of the Mothercare World chain is central to the future growth of Mothercare. Mothercare World will carry the full range of merchandise and, increasingly, also offer advice and new support services to customers. It is planned that 40 new Mothercare World stores will be opened over the next three to four years, including new locations and re-sites. This will bring the total number of Mothercare World stores in the chain to 100.

The successful Mothercare World concept has been further developed during the year, the result of which can be seen at the new Mothercare World store in Kew.



*Left: Mothercare's clothing ranges will combine own-brand products such as the popular 'Bon ami' babywear range with other well-known brands. Above: Mothercare offers a range of innovative products, such as the unique steriliser feeding bottle which was launched during the year.*



*Far left: Mothercare World provides the widest range of products for the mother-to-be and parents of young children in the UK. Left: Mothercare.com will be launched this summer, offering a range of products, together with extensive help and advice, chat rooms and bulletin boards.*

Incorporating many of the successful features of existing Mothercare World stores, the new store at Kew has a greater emphasis on the provision of information and expertise for parents, along with interactivity, fun and learning opportunities for children.

A central feature of the store is the Information Centre, providing customers with comprehensive baby care advice, local community listings information and access to parenting web sites at internet booths which use the latest touch-screen technology. These booths will provide access to Mothercare's new transactional web site, Mothercare.com, when launched in June this year. The store also provides a free personal shopping service and an in-store Mothercare Direct ordering service.

For the first time, the store will provide customers with the opportunity to shop and to obtain advice and expertise via additional channels: the Mothercare Direct catalogue and Mothercare.com. The development of this multi-channel approach to delivering the Mothercare offer will be a priority for the business during the year.

The Mothercare high street store will provide a destination range of clothing for babies and pre-school children, together with a range of hardware and toys tailored to the local market. In line with the multi-channel strategy, it is planned that each of these stores will in future provide facilities for customers to access and order products through both the Mothercare Direct catalogue and the Mothercare.com web site.

The sale and closure of 82 of the underperforming high street Mothercare stores in the portfolio, is nearing completion. The management team will continue to review the portfolio on a market by market basis as additional Mothercare World stores are opened.

#### **MOTHERCARE DIRECT**

Relaunched last summer, the Mothercare Direct mail order catalogue continues to grow sales and provides a solid base from which to develop the second Direct channel, Mothercare.com.

Mothercare is uniquely positioned to deliver an internet-based shopping and advice service to a global customer base. The launch of the transactional Mothercare.com web site in June of this year will extend the reach of the Mothercare brand and enhance Mothercare's ability to build relationships with its customers. Mothercare.com will also enhance the international franchise business when the site becomes fully transactional for customers outside the UK.

The site will provide a range of Mothercare products as well as an extensive information service, chat rooms and bulletin boards. The site has been developed by a specialist team, experienced in building new e-commerce businesses end-to-end, and a strong focus has been placed on ensuring that fulfilment and call centre systems are in place and fully tested prior to the launch of the site.

**MOTHERCARE INTERNATIONAL**

The progress being made with the Mothercare recovery programme provides a sound foundation for the further development of the Mothercare International franchise business. Mothercare has been trading internationally for more than 15 years and currently operates via 169 stores outside the UK, with 28 franchise partners in 36 countries.

The Mothercare brand translates effectively into many markets and the International team continues to strengthen existing relationships and build new partnerships with franchisees around the world. In seeking to extend the geographic coverage of the Mothercare brand, it is anticipated that new markets will open in Europe, the Middle East and Asia and that these developments will incorporate the Mothercare World and Mothercare.com channels.



*Above: The Mothercare Direct mail order catalogue provides the customer with comprehensive information as well as another convenient way to select products from the Mothercare range.*

## Finance director's review

### OVERVIEW

The adverse trading conditions experienced in 1998/99 continued into 1999/2000 with a significant deterioration in performance at both Bhs and Mothercare. The full year profit before tax and exceptionals declined to £7.0 million compared to £98.6 million last year. This performance prompted a wide ranging review of the group, its businesses and the markets in which they operate with the following outcome:

- The disposal of Bhs (the discontinued business) to Measuremarket Limited on 22 May 2000.
- Resources being concentrated on Mothercare (the continuing business) to implement the recovery programme announced in November.
- Cash being returned to shareholders following the adoption of a capital reduction scheme.

This has resulted in the group being fundamentally restructured, giving rise to an exceptional charge of £396.4 million. As a result, Storehouse has reported a loss before tax and after exceptionals of £389.4 million. During this period, cash resources have been tightly controlled, with the group's debt reducing by £21.8 million to £69.4 million.

### DIVISIONAL PERFORMANCE

Bhs reported a profit from retail operations before exceptionals of £13.1 million compared to a profit last year of £86.4 million. Turnover declined by 3.9 per cent with like-for-like sales decreasing by 6.5 per cent. Gross margins were impacted by significant discounting and declined by 2.3 percentage points.

For Mothercare, retail profit before exceptionals was £0.4 million compared to £17.9 million in the previous year. As a result of the store disposal programme, space declined by 6.4 per cent, giving rise to a turnover decline of 5.2 per cent. Increased discounting to clear stock reduced gross margin by 2.5 percentage points and costs in total reduced by 2.6 per cent.

### CASH FLOW

A rigorous control of cash ensured that the group reduced its debt. Despite a reduction in cash flow from operating activities to £95.2 million (compared to £166.9 million last year) significant reductions were achieved in capital expenditure net of disposals (£43.5 million) and tax payments (£0.6 million), generating a free cash flow of £51.1 million. After deducting the cost of financing, net debt ended the financial year at £69.4 million.

<b>MOVEMENT IN NET DEBT</b>	<b>2000</b> <b>£ million</b>	<b>1999</b> <b>£ million</b>
Cash flow from operations	<b>95.2</b>	166.9
Capital expenditure net of disposals	<b>(43.5)</b>	(127.9)
Taxation	<b>(0.6)</b>	(31.2)
Other	-	(3.1)
<b>FREE CASH FLOW</b>	<b>51.1</b>	4.7
Cost of capital		
Financing	<b>(6.5)</b>	(5.7)
Dividends	<b>(22.8)</b>	(38.5)
<b>MOVEMENT IN NET DEBT</b>	<b>21.8</b>	<b>(39.5)</b>

## Finance director's review

### EXCEPTIONAL CHARGE

It was reported in the interim statement that the restructuring plans announced in November would result in substantial one-off costs being taken during the year. These costs combined with the loss on disposal of Bhs give rise to an exceptional charge of £396.4 million (discontinued business £348.5 million and continuing business £47.9 million). The continuing business exceptional charge supports the implementation of the recovery programme at Mothercare and the dissolution of Storehouse. The key elements are:

	£ million
<b>MOTHERCARE</b>	
Property disposals net of all closure costs	5.0
Stock clearance	(15.9)
Fixed asset write-down (stores and head office)	(18.2)
Mothercare.com	(3.6)
Other	(1.5)
	<b>(34.2)</b>
<b>STOREHOUSE</b>	
Demerger costs	(6.8)
Share write-down	(5.0)
Other	(1.9)
	<b>(13.7)</b>

### DISPOSAL OF BHS TO MEASUREMARKET

The purchase price of £200 million for Bhs was determined by reference to the Bhs balance sheet at 29 January 2000. Adjustments are to be made to the purchase price for movements in working capital and cash payments in relation to non-working capital items since 29 January. On the transfer of Bhs to Measuremarket on 22 May, an initial payment was received from Measuremarket of £224.3 million including purchase price adjustments. These adjustments are based on the accounts to 1 April 2000. A final payment is expected which will be based on a completion statement being prepared by Measuremarket; this should be available by mid-July.

### INTERIM SERVICES

Storehouse, Mothercare and Bhs have agreed to provide interim services to each other on arm's length terms for periods up to 18 months in duration for activities such as distribution, payroll, administration and continuance of computing services.

## Finance director's review

### CONTINUING BUSINESS

The proceeds from the disposal of Bhs will be used to eliminate the debt and fund the one-off charges relating to both the disposal of Bhs and the dissolution of Storehouse. The remainder will then be split between cash to be retained in the continuing business to support the recovery programme and cash to be returned to shareholders. Cash will be required in the continuing business to support the early stages of the recovery programme. The balance sheet of the continuing business as at 1 April, before reflecting the cash arising on the disposal of Bhs, is as follows:

	Continuing business £ million
Fixed assets	94.0
Stock	39.8
Debtors	31.7
Creditors due within one year	(59.8)
<b>NET CURRENT ASSETS</b>	<b>11.7</b>
Creditors due over one year	(1.2)
Provisions for liabilities and charges	(8.5)
<b>NET ASSETS BEFORE CASH</b>	<b>96.0</b>

### MOTHERCARE ONGOING BUSINESS

Excluding the losses incurred on the disposal stores, the ongoing business at Mothercare generated a profit from retail operations before exceptionals of £5.7 million. The recovery programme began to take effect in the second half year with the on-going business generating a profit of £4.5 million. Sales in the UK in the second half in the on-going business grew by 3.3 per cent (excluding the benefit of the 53rd week) with a 0.3 percentage point reduction in achieved gross margin. Sales growths were achieved in home and travel (12 per cent) and toys (7 per cent) offset by a decline in clothing (7 per cent).

### INTERNAL CONTROL

Our compliance with the recommendations of the combined code is shown in the directors' report on pages 20 to 22. The group's treasury operations are centrally controlled and monitored in accordance with approved board guidelines; its purpose is to support the group's business and not to engage in speculative activity.

### PENSION COSTS

An actuarial valuation of the pension fund as at 1 April 2000, split in accordance with the deed of division agreed with Measuremarket, is currently being completed. It is anticipated that, although the net accounting cost for the continuing business will be minimal, a cash contribution to the schemes will be required. This contribution for 2000/01 is estimated to be £0.6 million.

### ACCOUNTING POLICIES AND STANDARDS

The details of the main accounting policies used by the group appear on page 35. New financial reporting standards have been adopted, including FRS 15 which requires the depreciation of all freehold buildings, resulting in a charge in 1999/2000 of £0.4 million.



CHRIS MARTIN GROUP FINANCE DIRECTOR

## Board of directors



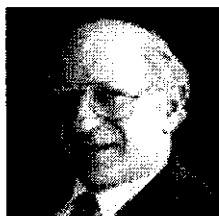
ALAN SMITH



CHRIS MARTIN



STEPHEN TAGUE



BRIAN HARDY



ANGELA HEYLIN



DAVID TAGG

### **ALAN SMITH CHAIRMAN \***

Appointed chairman in July 1996, having joined the board as a non-executive director and chairman-elect in January 1996. Previously a director of Marks & Spencer plc for 15 years and chief executive of Kingfisher plc 1993 – 1995. Non-executive director of Booker Plc, Colefax and Fowler plc, Space N K Ltd, The Eye Clinic and Whitehead Mann Group Plc. Aged 59.

### **CHRIS MARTIN MOTHERCARE CHIEF EXECUTIVE AND GROUP FINANCE DIRECTOR**

Appointed Mothercare chief executive officer on 25 May 2000 and group finance director in January 1997. Joined Storehouse in April 1995 as Mothercare finance director and appointed Bhs finance director in October 1996. Former finance director of Pizza Hut (UK). Aged 39.

### **STEPHEN TAGUE FORMER MANAGING DIRECTOR BHS**

Joined the group in January 1994 as store operations director, Bhs. Appointed managing director of Bhs in May 1997, left the group on 25 May 2000. Formerly buying, merchandising and marketing director, Allders International and trading director, Allders Department Stores. Aged 45.

### **BRIAN HARDY NON-EXECUTIVE \*\*\***

Appointed in November 1994. He is a chartered accountant and director, finance, of Burmah Castrol Plc. Graduate of the London School of Economics and MBA from Stanford Business School, California. Aged 58.

### **ANGELA HEYLIN, OBE NON-EXECUTIVE \*\*\***

Appointed in March 1997. She is UK President of Charles Barker BSMG Worldwide, a director of Provident Financial plc, a trustee of Historic Royal Palaces and deputy chairman of The House of St Barnabas, a house for homeless women, in Soho. Aged 56.

### **DAVID TAGG, CBE NON-EXECUTIVE \*\*\***

Senior non-executive director. Appointed in July 1991. Formerly group services director of Grand Metropolitan PLC and Diageo plc. Non-executive director of Whitehead Mann Group Plc. Fellow of the Institute of Personnel and Development; graduate of Pembroke College, Oxford. He is to retire at the Annual General Meeting. Aged 60.

#### **DIRECTORS' KEY**

- + Audit committee
- ◆ Remuneration committee
- \* Nomination committee

## Directors' report

### BUSINESS REVIEW

The principal companies within the Storehouse group for the year under review were Storehouse plc, the holding company, Bhs plc, Mothercare UK Limited and Mothercare.com Limited, the latter being the company established to operate the Mothercare transactional web-site. On 22 May 2000, the sale of Bhs plc to Measuremarket Ltd was completed. A review of the business strategy following the sale of Bhs plc together with the commentary on the performance of both Bhs plc and Mothercare UK Limited is set out in the executive chairman's statement, Mothercare business and finance director's reviews on pages 2 to 18.

### DIVIDEND

The directors are unable to recommend a final dividend this year. No interim dividend was paid. The total dividend of nil p per share compares with 9.1p paid during 1999.

The Extraordinary General Meeting of the Company held on 16 May 2000 approved the sale of Bhs to Measuremarket Ltd. The circular, posted to shareholders on 26 April 2000 in respect of that transaction, indicated that approximately £100 million of the sale proceeds would be returned to shareholders by way of a scheme of arrangement under Section 425 of the Companies Act 1985. The necessary Court Meeting and extraordinary general meeting at which Resolutions to give effect to that repayment by way of capital reduction will be held, subject to Court approval, immediately prior to the Annual General Meeting on 20 July 2000. The required circular and proxies are being sent separately to shareholders.

### SUBSTANTIAL SHAREHOLDINGS

As at 18 May 2000, the Company had been advised by the following companies of notifiable interests in the ordinary share capital:

Holder	Number of shares	Percentage of issued capital
Franklin Templeton Resources, Inc	66,200,304	15.6
Silchester International	28,855,281	6.8
Legal & General	21,364,450	5.0

### DIRECTORS

Details of the directors of the Company are shown on page 19. Alan Smith (executive chairman), Brian Hardy, Angela Heylin OBE, Chris Martin and David Tagg CBE (senior non-executive director) served throughout the year ended 1 April 2000. Stephen Tague was appointed to the board on 20 May 1999 and left on 25 May 2000. Keith Edelman and Steve Bedford left the business on 28 May 1999 and 9 October 1999 respectively. Chris Martin and Angela Heylin retire by rotation and stand for re-election at the Annual General Meeting. Biographical details of Chris Martin and Angela Heylin, indicating their experience and qualifications, are set out on page 19.

Details of Chris Martin's service contract are set out in the report of the remuneration committee on page 26. Angela Heylin does not have a service contract.

A statement of directors' interests in the shares of Storehouse plc and of their remuneration is set out on pages 24 to 27.

### DAVID TAGG

David Tagg was appointed a non-executive director of Storehouse in July 1991. David had previously decided that he wished to retire and leave the board following the Annual General Meeting. The board wishes to place on record its thanks and appreciation for his counsel during his nine years' service as a non-executive director and wish him well for the future.

### CORPORATE GOVERNANCE

In September 1999, the 'Turnbull Committee' (Internal Control Working Party of the Institute of Chartered Accountants in England and Wales) published its report giving guidance to companies on the implementation of principles D2, D2.1 and D2.2 of the Combined Code of Internal Control. The company has adopted the transitional approach to the implementation of this guidance. During the year procedures necessary to implement the guidance were put in place. The board is of the opinion that full compliance will be achieved during the financial year 2000/01. Further details are given below. Prior to the publication of the Turnbull Committee report, the company complied with Code Provision D2.1 by addressing internal financial control in accordance with the guidelines for directors on internal control and financial reporting issued in December 1994.

The board has overall responsibility for the Company's system of internal financial control. The Company has established and maintained a system of internal financial control within an executive management structure that has clearly defined lines of responsibility and delegation of authority within prescribed financial limits. The Company's system of internal financial control

## Directors' report

is based on financial and risk control policies and procedures together with regular reporting by business units of financial performance. Comprehensive planning, budgeting and forecasting procedures are also in place together with formal capital investment appraisal arrangements.

The directors believe that the system of internal financial control as described above is appropriate to the business. It can however, only provide reasonable and not absolute assurance against material mis-statement or loss. The audit committee periodically reviews the system of internal financial control on behalf of the board.

The Combined Code sets out the principles of good governance and these are briefly commented on below:

**The board and directors** During the year under review the board of Storehouse comprised three independent non-executive directors and three executive directors. The full board, which meets regularly, usually on a monthly basis, maintains overall control of the group's affairs through a schedule of matters reserved for its decision. These include setting the group strategy, the approval of the annual budget and financial statements, major acquisitions and disposals, authority limits for capital and other expenditure and treasury matters.

The non-executive directors are independent and free from any business or other relationship which could materially interfere with their judgement. The non-executive directors do not participate in any bonus, share option or pension scheme of the Company.

The board considers that the balance achieved between executive and non-executive directors is appropriate and effective for the control and direction of the business.

The board is assisted by committees which it has established with written terms of reference. The roles of the remuneration and audit committees are set out below. The audit and remuneration committees are composed of the three non-executive directors. The nomination committee comprises the three non-executive directors together with Alan Smith, the executive chairman, and makes recommendations to the board on the appointment of directors at group board level.

The board has delegated day-to-day and business management control of the subsidiaries to their boards. Representation of the Storehouse plc board on those subsidiary company boards has been delegated to the executive chairman, group finance director and group company secretary who attend each board meeting on a 'non-executive' basis.

Prior to 28 May 1999, the Company maintained a clear division of responsibility between the roles of the chairman and chief executive. However, following the strategic review which outlined the separation of the group as announced in the Interim Statement, the search for a chief executive was terminated in November 1999, and Alan Smith became executive chairman. On 25 May 2000, Chris Martin was appointed chief executive officer of Mothercare. Alan Smith has indicated his wish to revert to being non-executive chairman by the end of the 2000/01 financial year.

Throughout the year the board and its committees have been supplied with information and papers submitted at each board meeting which ensures that all aspects of the group's affairs are reviewed on an annual basis in accordance with a rolling agenda and programme of work. All directors, whether executive or non-executive, have unrestricted access to the company secretary, managing directors of the subsidiaries and executives within the businesses on any matter of concern to them in respect of their duties. Furthermore, the Company has undertaken to reimburse legal fees to the non-executive directors if circumstances should arise in which it is necessary for them to seek separate legal advice in furtherance of their duties. In accordance with the Articles of Association, all directors are required to offer themselves for re-election every three years.

The remuneration committee, chaired by David Tagg, the senior independent non-executive director, establishes the remuneration policy and arrangements for executive directors. The group aspires to a culture of performance related salaries for both directors and other executives within the group. During the year no director was, and procedures are in place to ensure that no director is, involved in deciding or determining their own remuneration. Full disclosure of the Company's remuneration policy and details of the remuneration of each director are set out in the report of the Remuneration Committee on pages 24 to 27.

The audit committee, which is chaired by Brian Hardy, reviews the scope and issues arising from the audit and matters relating to financial control. It also assists the board in its presentation of the Company's financial results and position through its review of the interim and full year accounts before approval by the board, focusing in particular on compliance with accounting principles, any changes in accounting practice, and major areas of judgement.

**Shareholder relations** The Company has a programme of regular dialogue with institutional shareholders. During such meetings the board is able to put forward its objectives for the business and performance against those objectives. Mindful always of its obligations to the investing community as a whole, the Company attempts to reach a wider audience by the use of its web-site (at [www.storehouseplc.com](http://www.storehouseplc.com)) and, with a view to encouraging full participation for those unable to attend the Annual General Meeting, an opportunity for shareholders to ask questions of their board by the provision of a reply paid questions service to the executive chairman.

## Directors' report

**Accountability and audit** The board makes quarterly presentations of the financial performance of the business to the investing community through the interim and full year report, and trading statements at the Annual General Meeting and post Christmas.

**Turnbull Committee guidance** Internal financial control is addressed by the audit committee at least on an annual basis. Internal control (other than internal financial control) is reserved to the board as a whole. With a view to ensuring full compliance with Code provisions D2, D2.1 and D2.2 with effect from the start of the financial year on 2 April 2000, the board has carried out a further risk assessment of those areas which may have a significant effect on the future of the business. This process has been replicated within both Bhs plc and Mothercare UK Limited (including Mothercare.com). Prior to 2 April 2000, a programme was implemented to ensure that the appropriate risk management processes were identified and established within the group and the subsidiary businesses and that the necessary environment was provided to ensure that those processes become an integral part of the ongoing business culture. During the year, specific risks have been reviewed such as the business continuity plan for the Atherstone distribution centre (operated by Exel Logistics) and the Maidstone IT hub (operated by CSC). Other areas which have been addressed are the critical information technology systems, document flows and security; corporate planning and strategic direction for the group and the establishment and review at each meeting of key performance indicators by the respective operating boards.

As required by Turnbull, the provision of internal audit has been considered by the board. The board considered that, during the period of transition of the group, it would not be appropriate to establish an in-house internal audit function. In the interim, the board has access to internal audit services on a project-by-project basis through outsourced provision. This arrangement will be considered again during the current financial year.

### EMPLOYEES

The group achieves an awareness amongst, and consults with, all its employees on corporate objectives, performance and economic activity relevant to its businesses through media such as in-house magazines and bulletins, e-mail and video presentations.

The capabilities of the group's senior management, management and associates have again been measured, development needs ascertained and programmes designed to ensure that the critical skills required for the development of both the individual and the group are attained.

In addition to its incentive plans, the group operates various share schemes, details of which are set out on page 48.

Storehouse is an equal opportunities employer and ensures that recruitment and promotion decisions are made solely on the basis of suitability for the job. Disabled persons are given due consideration for employment opportunities, and if employees become disabled, every effort is made to retain them, providing requisite employment aids.

### PAYMENT OF SUPPLIERS

Payments to merchandise suppliers are made in accordance with the general conditions of purchase, which are communicated to suppliers at the beginning of the trading relationship. It is the group's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 50 days from the date of invoice.

The amount owed to trade creditors at the end of the financial year represented 13 days (1999 – 17 days) of average daily purchases during the year for the Company and 13 days (1999 – 21 days) for the group.

### FIXED ASSETS

Changes in fixed assets are shown in Note 8 to the accounts. A valuation of the group's freehold and long leasehold properties, excluding rack rented properties, was carried out by external valuers, primarily Messrs Healey & Baker, as at 1 April 2000 on the basis of Existing Use Value in respect of properties primarily occupied by the group and on the basis of Open Market Value in respect of investment properties, both bases being in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Manual. The valuation of the Mothercare properties resulted in a surplus over their net book value of £15.6 million.

### CHARITABLE DONATIONS

The group's direct charitable donations in the year were £41,000 (1999 – £109,000). The major charitable contributions arise however through money raised in its stores on the sale of certain products (such as Gold Hearts) and through various employee fundraising ventures. The group made no political donations during the year.

The group's charity policy and guidelines specify that the group believes that donations to charitable causes can be a justifiable use of shareholders' funds when such donations are related to the group's businesses.

## Directors' report

### YEAR 2000 COMPLIANCE

The computing systems transition through the Year 2000 date change was completed satisfactorily. No significant problems were experienced or are anticipated.

### ENVIRONMENT

The group recognises that its activities do have an impact on the environment and a consequent responsibility to reduce that impact so far as is practicable. The group recognises that the greatest impact is through the stores, offices and distribution networks and through the supply base.

### GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company and the group (following the disposal of Bhs) have adequate resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on a 'going concern' basis.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 20 July 2000 following the conclusion of the Court Meeting and extraordinary meeting to be held, subject to the approval of the Court, at 11am on the same day at the Colosseum, Rickmansworth Road, Watford WD1 7JN.

The notice of the meeting and a pre-paid form for the use of shareholders unable to come to the Annual General Meeting but who may wish to put any questions to the board of directors, are enclosed with this annual report. The chairman will respond in writing to questions received.

As in previous years, the chairman's opening statement to the meeting, together with a resumé of questions and answers given at the meeting, will be prepared following the Annual General Meeting. This will be made available to shareholders on request to the company secretary at the Company's head office.

Shareholders' attention is particularly drawn to Resolution 7 on the Notice of Meeting (the Mothercare plc 2000 share option plan) and the explanatory notes attached thereto.

**Auditors** Arthur Andersen have indicated their willingness to continue as auditors to the Company and accordingly a resolution to reappoint them will be proposed at the Annual General Meeting.

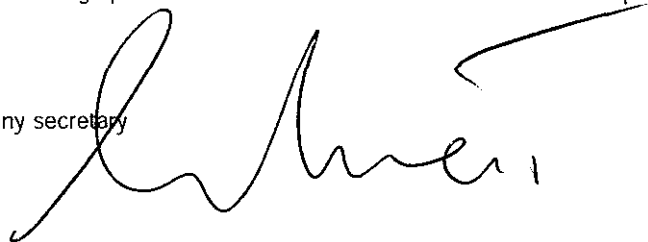
### SPECIAL RESOLUTION

Special resolutions will be proposed at the Annual General Meeting on the following matters:

**Change of name** The name of the Company be changed to Mothercare Plc.

**Purchase of own shares** The Company was authorised at the 1999 Annual General Meeting to purchase up to 10 per cent of its shares in the market. This authority has not been used and expires at the conclusion of this year's Annual General Meeting. Resolution 6 seeks to renew the authority for a further year. Shares purchased (if any) will be cancelled. The directors have no present intention of using this authority, but wish to be in a position to act quickly in the interests of the company and shareholders generally if circumstances so warrant. Purchases of the Company's shares would only be made if this would result in an increase in earnings per share and be in the best interests of the Company at that time.

By order of the board  
Clive E Revett, company secretary  
25 May 2000



## Remuneration committee report

The remuneration committee present their report on behalf of the board for the year ended 1 April 2000.

### REMUNERATION COMMITTEE

During the year, the remuneration committee has been chaired by David Tagg, the senior non-executive director, and also comprises the other non-executive directors. Alan Smith, the executive chairman, while not a member of the committee, has been available during committee meetings except when matters relating to his appointment or salary or benefits and conditions were discussed or agreed. The remuneration committee determines the remuneration arrangements for each of the executive directors and oversees the operation of the long-term incentive plan and the executive share option scheme. The committee monitors the compliance of the Company with the Code of Practice of the study group on directors' remuneration and the best practice provisions on the design of performance related remuneration included with the Listing Rules of the Financial Services Authority (formerly the Listing Rules of the London Stock Exchange).

Executive directors' remuneration comprises the fixed elements of salary and pension, and a variable element of annual bonus, long-term incentive plan and executive share option scheme.

### REMUNERATION POLICY

It is the Company's policy to set competitive remuneration levels in order to attract and retain directors and employees of the quality required. In setting the remuneration arrangements, comparison is particularly made with other major quoted general retail companies. The long-term elements of executive directors' remuneration are aligned to shareholders' interests in that the share option scheme and 50 per cent of the long-term incentive plan are based on share price performance. Earnings measures are also incorporated into both schemes.

### SALARY

Consideration is given to remuneration arrangements and comparative levels across the group when reviewing executive pay levels. Base salary alone qualifies in calculating pension with no account being taken of any payments under the bonus schemes.

### ANNUAL BONUS

An annual bonus of a maximum of 50 per cent of salary may be paid if targets set by the remuneration committee are met. Such targets for the year ended 1 April 2000 were based on growth in profit before tax and exceptional items. No bonus is payable in respect of the year under review.

### LONG-TERM INCENTIVE PLAN

A provisional award of shares was made during the year to 17 executives, including the executive directors of the Company, under the long-term incentive plan.

Awards are made each year up to 50 per cent of salary at that time. The shares may be transferred to participants, usually after three years, depending on the achievement over that period of two separate measures: share price performance compared with the largest 150 companies listed on the London Stock Exchange; and earnings per share before exceptional items compared to the same group of companies, although the remuneration committee has the discretion to cancel any awards under this measure if it considers that the eps performance is unacceptable. No shares have yet been transferred to any participant under the plan.

The maximum provisional awards granted to date to the executive directors of the Company under the plan are:

	June 1997	June 1998	August 1999
Chris Martin	42,270	37,500	108,969
Stephen Tague	39,855	29,464	86,957

Twenty per cent of the provisional award of shares will be transferred for median performance increasing on a straight-line basis to 100 per cent for upper quartile performance. No shares will be transferred for performance below the median.

## Remuneration committee report

### EXECUTIVE SHARE OPTION SCHEME

Options are granted each year to some 100 executives within the group, including the executive directors of the Company, at a multiple normally of once times salary for directors except on appointment to the board. The options, which are granted at market value, are usually exercisable between three and ten years after the date of grant. The scheme was approved by shareholders in 1995. The exercise of options is normally subject to the performance condition that growth in earnings per share before exceptional items, as determined under the scheme, must exceed the growth in the Retail Price Index over a three-year period by an average of at least two per cent per annum. The scheme also encourages the directors to hold shares as further options are granted only if shares representing at least 20 per cent of the after tax profit on options which have been exercised are retained. Chris Martin and Stephen Tague have also received options granted in 1995 or earlier, under the executive share option scheme which was replaced in 1995. No executive options were exercised by the directors during the year.

### DIRECTORS' SHARE OPTIONS

Directors' share options under all schemes are shown in the following table:

	27 March 1999	Granted during year	Exercised during year	Grant date	Exercise price	1 April 2000
Chris Martin	34,090	-	-	May 95	264p	<b>34,090</b>
	29,968	-	-	June 96	317p	<b>29,968</b>
	173,267	-	-	June 97	202p	<b>173,267</b>
	75,268	-	-	May 98	279p	<b>75,268</b>
	-	250,000	-	May 99	112.4p	<b>250,000</b>
<b>Total</b>	<b>312,593</b>	<b>250,000</b>	-			<b>562,593</b>
Stephen Tague	173,076	-	-	May 94	208p	<b>173,076</b>
	11,676*	-	-	June 94	167p	<b>11,676*</b>
	45,454	-	-	May 95	264p	<b>45,454</b>
	44,164	-	-	June 96	317p	<b>44,164</b>
	65,346	-	-	June 97	202p	<b>65,346</b>
	47,958	-	-	May 98	279p	<b>47,958</b>
	160,256	-	-	Jan 99	124.8p	<b>160,256</b>
<b>Total</b>	<b>547,930</b>	-	-			<b>547,930</b>

\* Options granted under the seven year SAYE scheme.

The market price of Storehouse shares on 31 March 2000 was 37p, with a range during the year of 30p to 156.5p.

## Remuneration committee report

### PENSION

Chris Martin and Stephen Tague are members of the Storehouse senior management scheme. Pension accrues at the rate of one forty-fifth of salary for each year of pensionable service. The normal retirement age is 60. Employees' contributions are up to five per cent of pensionable salary (the company made no contributions to the scheme during the year).

In addition to his membership of the senior management scheme, pension benefits on earnings in excess of one-and-a-half times the Inland Revenue earnings cap are provided to Chris Martin through a funded unapproved retirement benefits scheme. The company made contributions of ten per cent of such earnings to that scheme.

The contribution rates for the company in relation to Chris Martin (in his instance in relation to his salary in excess of one-and-a-half times the earnings cap) and Stephen Tague are ten per cent of salary under age 40, rising in increments of five per cent to 30 per cent at age 55-60.

The table below shows, in relation to the two directors who are members of the senior management scheme, the annual pension earned or accrued at the beginning and end of the year, the increase in the earned position during the year, and the capital value of that increase:

	Annual pension accrued by 27 March 1999 £000s	Annual pension earned (in excess of inflation) during the year £000s	Capital value of the increase in pension (in excess of inflation) £000s	Annual pension accrued by 1 April 2000 £000s	Company contributions £000s
Chris Martin	11	4	31	15	13
Stephen Tague	15	4	38	19	12

The capital value of the increase in pension represents a liability of the company but not a sum paid or due to the individual. It cannot meaningfully be added to annual remuneration.

### SERVICE CONTRACTS

The executive directors have service contracts which can be terminated on 12 months' notice. The remuneration committee have considered whether it would be appropriate to further amend executive directors' service contracts. These currently provide for liquidated damages on termination by the company of one year's basic salary benefits and pension credits, the average of the previous three year's annual bonus, and that exercisable share options may be retained for up to six months from the notice date. On balance, the Remuneration Committee did not consider any changes to be appropriate at this time.

### ALAN SMITH

Alan Smith was appointed executive chairman on 28 May 1999. The terms of that appointment are that he is paid a basic salary of £400,000 per annum and may, subject to the attainment of performance criteria set by the remuneration committee, qualify for a bonus of up to 50 per cent of salary. No bonus is to be paid for the year under review. Alan Smith does not participate in any pension, share option or long-term incentive plan scheme available to directors or executives. His contract does provide for liquidated damages on termination by the company of one year's basic salary and benefits.

### EXTERNAL APPOINTMENTS

Ordinarily, an executive director may take one external appointment as a non-executive director for which he may retain the fees. Alan Smith retains the external directorships existing at the date of his appointment, but has accepted no further appointments since that date.

### NON-EXECUTIVE DIRECTORS' FEES

The fees of the non-executive directors are determined by the board with the individual abstaining from discussions on their own arrangements.

The fees of non-executive directors were previously reviewed in 1996. In view of the increase in the frequency of the meetings of the board and the increased availability of the non-executive directors to the executive chairman and directors during the year, the board approved an increase in the non-executive directors' fees. The non-executive directors do not participate in any bonus, share option or pension scheme of the company.

## Remuneration committee report

### DIRECTORS' EMOLUMENTS

Total emoluments (including pension contributions) in 2000 were £2,115,000 (1999 – £1,207,000). Stephen Tague received no emoluments as a director during 1999. The following table shows the breakdown of emoluments:

		Salary/fees £000s	Benefits £000s	Compensation for loss of office £000s	Total remuneration ex. pension contributions £000s	Pension contributions £000s
<b>EXECUTIVE DIRECTORS</b>						
Alan Smith	<b>2000</b>	<b>331</b>	<b>18</b>	–	<b>349</b>	–
	1999	150	15	–	165	–
Chris Martin**	<b>2000</b>	<b>376</b>	<b>22</b>	–	<b>398</b>	<b>12</b>
	1999	210	11	–	221	8
Stephen Tague	<b>2000</b>	<b>199</b>	<b>10</b>	–	<b>209</b>	<b>13</b>
Keith Edelman*	<b>2000</b>	<b>64</b>	<b>7</b>	<b>547</b>	<b>618</b>	<b>14</b>
	1999	400	16	–	416	80
Steve Bedford*	<b>2000</b>	<b>119</b>	<b>18</b>	<b>278</b>	<b>415</b>	–
	1999	221	23	–	244	–
<b>NON-EXECUTIVE DIRECTORS</b>						
Brian Hardy	<b>2000</b>	<b>29</b>	–	–	<b>29</b>	–
	1999	25	–	–	25	–
Angela Heylin	<b>2000</b>	<b>29</b>	–	–	<b>29</b>	–
	1999	23	–	–	23	–
David Tagg	<b>2000</b>	<b>29</b>	–	–	<b>29</b>	–
	1999	25	–	–	25	–

\* Compensation for loss of office paid to Keith Edelman and Steve Bedford in respect of the termination of their employment during the year amounted to £546,678 and £278,192 respectively and these sums are included within the emoluments for the year 2000. Stephen Tague received compensation for loss of office of £381,057 in May 2000.

\*\* Chris Martin's salary includes £125,000 in respect of the retention bonus paid in April 2000, details of which were disclosed in the circular to shareholders dated 26 April 2000.

### SHARE INTERESTS

The beneficial interests of the directors in the share capital of the company (excluding options which are set out on page 25) are as follows:

	1 April 2000	27 March 1999
Alan Smith	<b>50,000</b>	21,946
Chris Martin	<b>11,863</b>	11,327
Stephen Tague (as at 20 May 1999)	<b>35,000</b>	5,000
Brian Hardy	<b>18,644</b>	2,802
Angela Heylin	<b>13,755</b>	6,450
David Tagg	<b>15,000</b>	15,000

Alan Smith and David Tagg are the shareholders and directors of Storehouse Employees Share Trustee Limited, which held 175,047 (1999 – 175,047) Storehouse shares in trust on 1 April 2000. A separate trust, the Storehouse Employee Trust, held 3,744,429 shares on 1 April 2000 (1999 – 3,744,429). The market value of shares held under these trusts at 1 April 2000 was £1,450,206.

The executive directors of the Company are technically deemed to be interested in all the shares held by Storehouse Employees Share Trustee Limited and by the Storehouse Employee Trust as potential beneficiaries. There have been no movements in directors' interests, beneficial or non-beneficial, between 1 April 2000 and 25 May 2000.

## Directors' responsibilities for the accounts

This statement has been prepared in compliance with the Combined Code of Best Practice in order to explain the responsibilities of the directors in preparing the financial statements. It should be read in conjunction with the auditors' report on page 29. The Companies Acts require the directors to prepare accounts for each financial year which give a true and fair view of the state of the Company's affairs and those of the group, as at the end of each financial year and of the profit or loss for that year. In preparing those financial statements the directors are required to:

- a Select suitable accounting policies and apply them on a consistent basis;
- b Make prudent and reasonable judgements;
- c State whether applicable accounting standards have been applied, identify where any material deviation from such standards have been made and the explanation for such deviation;
- d Prepare the financial statements on a 'going concern' basis; and
- e Keep proper accounting records, safeguard the group's assets and take reasonable steps to prevent and detect fraud and other irregularities or risks.

**Other matters** The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors' report

### **TO THE SHAREHOLDERS OF STOREHOUSE PLC**

We have audited the accounts on pages 30 to 49 which have been prepared under the historical cost convention and the accounting policies set out on page 35. We have also examined the amounts disclosed relating to the emoluments, share options and long-term bonus scheme interests of the directors which form part of the remuneration committee report on pages 24-27.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the annual report including, as described on page 28, preparing the accounts in accordance with applicable UK law and accounting standards. Our responsibilities, as independent auditors, are established in the UK by Statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and the group is not disclosed.

We review whether the statement on pages 20 to 22 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal financial control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### **BASIS OF AUDIT 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 misstatement, 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 1 April 2000 and of the group's loss and cash flows for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered accountants and registered auditors  
1 Surrey Street, London  
25 May 2000

## Group profit statement

For the 53 weeks ended 1 April 2000 (Note 1)

	Continuing before exceptional 2000 £ million	Discontinued Bhs before exceptional 2000 £ million	Before exceptional Total 2000 £ million	Exceptional items (Note 3) 2000 £ million	Total 2000 £ million	Total 1999 £ million	Exceptional items (Note 3) 1999 £ million	Before exceptional Total 1999 £ million
<b>TURNOVER</b> (Note 2)	443.7	822.4	1,266.1	-	1,266.1	1,328.6	-	1,328.6
Cost of sales	(437.6)	(794.0)	(1,231.6)	(83.9)	(1,315.5)	(1,199.8)	(5.0)	(1,194.8)
Gross profit (loss)	6.1	28.4	34.5	(83.9)	(49.4)	128.8	(5.0)	133.8
Administrative expenses	(5.7)	(15.3)	(21.0)	(8.9)	(29.9)	(30.7)	(1.2)	(29.5)
<b>PROFIT (LOSS) FROM RETAIL OPERATIONS</b> (Note 2)	<u>0.4</u>	<u>13.1</u>	13.5	(92.8)	(79.3)	98.1	(6.2)	104.3
Exceptional items (Note 3)								
Profit and loss on disposal of stores:								
Continuing operations			-	7.2	7.2	(12.1)	(12.1)	-
Discontinued operations (Bhs)			-	(3.4)	(3.4)	-	-	-
Provision for costs of separation (continuing operations)			-	(6.8)	(6.8)	-	-	-
Provision for loss on disposal of Bhs (discontinued operations)			-	(300.6)	(300.6)	-	-	-
Interest and other items (Note 4)			(6.5)	-	(6.5)	(5.7)	-	(5.7)
<b>PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			7.0	(396.4)	(389.4)	80.3	(18.3)	98.6
Tax on profit on ordinary activities (Note 5)			(0.3)	-	(0.3)	(26.5)	1.1	(27.6)
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>			6.7	(396.4)	(389.7)	53.8	(17.2)	71.0
Dividends (Note 6)			-	-	-	(38.6)	-	(38.6)
Retained profit (loss) for the financial year (Note 15)			<u>6.7</u>	<u>(389.7)</u>	<u>(389.7)</u>	15.2		<u>32.4</u>
Earnings per share (pence) (Note 7)			<u>1.6</u>	<u>(92.8)</u>	<u>(92.8)</u>	12.7		<u>16.8</u>
Earnings per share diluted (pence) (Note 7)			<u>1.6</u>	<u>(92.8)</u>	<u>(92.8)</u>	12.6		<u>16.7</u>

## Statement of total recognised gains and losses

For the 53 weeks ended 1 April 2000 (Note 1)

	2000 £ million	1999 £ million
Company	(148.4)	18.1
Subsidiary undertakings	(241.3)	35.7
<b>(LOSS) PROFIT FOR THE FINANCIAL YEAR BEING TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>(389.7)</b>	53.8

A statement of the movement in reserves is shown in Note 15.

The accounting policies on page 35 and the notes on pages 36 to 49 form an integral part of these statements.

## Group and company balance sheets

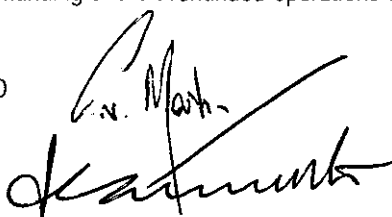
As at 1 April 2000 (Note 1)

	Group		Company	
	Total 2000 £ million	Total 1999 £ million	Total 2000 £ million	Total 1999 £ million
<b>FIXED ASSETS</b>				
Tangible assets (Note 8)	319.6*	658.7	5.0	5.8
Investments (Note 9)	1.5	6.5	129.5	324.7
	<b>321.1</b>	<b>665.2</b>	<b>134.5</b>	<b>330.5</b>
<b>CURRENT ASSETS</b>				
Stocks	118.7	185.2	-	-
Debtors (Note 10)	65.2	98.4	39.5	56.6
Cash at bank and in hand and time deposits	51.3	48.8	-	-
	<b>235.2</b>	<b>332.4</b>	<b>39.5</b>	<b>56.6</b>
<b>CREDITORS</b> (amounts falling due within one year - Note 11)	<b>(257.4)</b>	<b>(323.6)</b>	<b>(82.7)</b>	<b>(145.5)</b>
<b>NET CURRENT (LIABILITIES) ASSETS</b>	<b>(22.2)</b>	<b>8.8</b>	<b>(43.2)</b>	<b>(88.9)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>298.9</b>	<b>674.0</b>	<b>91.3</b>	<b>241.6</b>
<b>CREDITORS</b> (amounts falling due after one year - Note 11)	<b>(11.6)</b>	<b>(27.3)</b>	<b>(2.0)</b>	<b>(3.9)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b> (Note 13)	<b>(61.7)</b>	<b>(31.4)</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>	<b>225.6</b>	<b>615.3</b>	<b>89.3</b>	<b>237.7</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY INTERESTS</b>				
Called-up share capital (Note 14)	42.4	42.4	42.4	42.4
Share premium account (Note 15)	31.7	31.7	31.7	31.7
Acquisition and merger reserves (Note 15)	-	73.5	-	-
Profit and loss account (Note 15)	151.5	467.7	15.2	163.6
	<b>225.6</b>	<b>615.3</b>	<b>89.3</b>	<b>237.7</b>

\* After reflecting the loss on the disposal of Bhs.

The allocation of assets between the continuing and discontinued operations are set out on page 32.

Approved by the board on 25 May 2000  
AKP Smith  
CN Martin



### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE 53 WEEKS ENDED 1 APRIL 2000

	2000 £ million	1999 £ million
(Loss) profit for the financial year	(389.7)	53.8
Dividends	-	(38.6)
	<b>(389.7)</b>	<b>15.2</b>
New share capital subscribed	-	1.6
Net increase in shareholders' funds	<b>(389.7)</b>	<b>16.8</b>
Opening shareholders' funds	<b>615.3</b>	<b>598.5</b>
<b>CLOSING SHAREHOLDERS' FUNDS</b>	<b>225.6</b>	<b>615.3</b>

The accounting policies on page 35 and the notes on pages 36 to 49 form an integral part of these statements.

## Notes to the balance sheet

### ALLOCATION OF ASSETS

The assets of the group, excluding the allocation of debt, can be analysed as set out below. All bank borrowings were repaid on 22 May 2000 when the disposal of Bhs was completed.

	Continuing 2000 £ million	Discontinued Bhs 2000 £ million
<b>FIXED ASSETS</b>		
Tangible assets	92.5	227.1*
Investments	1.5	-
	<b>94.0</b>	<b>227.1</b>
<b>CURRENT ASSETS</b>		
Stocks	39.8	78.9
Debtors	31.7	33.5
	71.5	112.4
<b>CREDITORS</b> (amounts falling due within one year)	<b>(59.8)</b>	<b>(81.4)</b>
<b>NET CURRENT ASSETS</b>	<b>11.7</b>	<b>31.0</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>105.7</b>	<b>258.1</b>
<b>CREDITORS</b> (amounts falling due within one year)	<b>(1.2)</b>	<b>(5.9)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(8.5)</b>	<b>(53.2)</b>
<b>NET ASSETS EXCLUDING DEBT</b>	<b>96.0</b>	<b>199.0</b>
<b>NET DEBT</b>	<b>(69.4)</b>	
<b>CONTINUING BUSINESS NET ASSETS INCLUDING NET DEBT</b>	<b>26.6</b>	

\* The discontinued business assets are stated after provision for the loss on disposal, which has been reflected against the tangible fixed assets of Bhs. See Note 3 for details of the provision.

## Group cash flow statement

For the 53 weeks ended 1 April 2000 (Note 1)

	2000 £ million	2000 £ million	1999 £ million	1999 £ million
Reconciliation of net cash inflow from operating activities				
Profit from retail operations before exceptional items	13.5		104.3	
Depreciation	66.6		63.2	
Decrease (increase) in stocks	14.4		2.1	
Decrease (increase) in debtors	32.6		1.4	
Decrease in creditors	(26.6)		(3.1)	
Net cash flow in respect of exceptional costs	(5.3)		(1.0)	
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>95.2</b>		<b>166.9</b>
Group cash flow statement				
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>95.2</b>		<b>166.9</b>
Returns on investments and servicing of finance				
Interest received	2.4		3.4	
Interest paid (Note b)	(8.9)		(9.1)	
		(6.5)		(5.7)
<b>TAXATION</b>				
Corporation tax including ACT	(0.3)		(30.9)	
Overseas tax	(0.3)		(0.3)	
		(0.6)		(31.2)
<b>CAPITAL EXPENDITURE</b>				
Purchase of tangible fixed assets	(92.5)		(140.2)	
Sale of tangible fixed assets	49.0		12.3	
		(43.5)		(127.9)
		44.6		2.1
<b>ACQUISITIONS AND DISPOSALS</b>				
Acquisition of shares		-		(4.7)
Equity dividends paid		(22.8)		(38.5)
		21.8		(41.1)
<b>MANAGEMENT OF LIQUID RESOURCES</b> (Note a)		(2.0)		(2.5)
<b>FINANCING</b>				
Issue of share capital	-		1.6	
Increase in debt (Notes a and b)	(17.3)		39.3	
		(17.3)		40.9
<b>INCREASE (DECREASE) IN CASH IN THE PERIOD</b>		<b>2.5</b>		<b>(2.7)</b>
Reconciliation of net cash flow to movement in net debt				
Increase (decrease) in cash for the year		2.5		(2.7)
Cash flow from liquid resources		2.0		2.5
Cash flow from debt		17.3		(39.3)
Movement in net debt in the period (Note a)		21.8		(39.5)
Net debt at beginning of year		(91.2)		(51.7)
<b>NET DEBT AT THE END OF THE YEAR</b>		<b>(69.4)</b>		<b>(91.2)</b>

## Notes to the group cash flow statement

For the 53 weeks ended 1 April 2000 (Note 1)

	1998 £ million	Cash flow £ million	1999 £ million	Cash flow £ million	2000 £ million
<b>a ANALYSIS OF NET DEBT</b>					
Cash*	9.8	4.7	14.5	0.5	15.0
Overdrafts (Note 11)	(15.3)	(7.4)	(22.7)	2.0	(20.7)
<b>NET CASH</b>	<b>(5.5)</b>	<b>(2.7)</b>	<b>(8.2)</b>	<b>2.5</b>	<b>(5.7)</b>
<b>CASH FLOW FROM MANAGEMENT OF LIQUID RESOURCES</b>					
Time deposits*	31.8	2.5	34.3	2.0	36.3
<b>(INCREASE) DECREASE IN DEBT</b>					
Bills of exchange and bank loans (Note 11)					
Due within one year	(53.0)	(40.0)	(93.0)	(0.5)	(93.5)
Due after one year	-	-	-	(2.5)	(2.5)
Obligations under finance leases (Note 11)					
Due within one year	-	(1.9)	(1.9)	(0.1)	(2.0)
Due after one year	-	(3.9)	(3.9)	1.9	(2.0)
Obligations under property leases (Note 11)					
Due within one year	(6.4)	(0.4)	(6.8)	6.8	-
Due after one year	(18.6)	6.9	(11.7)	11.7	-
<b>(INCREASE) DECREASE IN DEBT</b>	<b>(78.0)</b>	<b>(39.3)</b>	<b>(117.3)</b>	<b>17.3</b>	<b>(100.0)</b>
<b>NET DEBT</b>	<b>(51.7)</b>	<b>(39.5)</b>	<b>(91.2)</b>	<b>21.8</b>	<b>(69.4)</b>

\* Cash and time deposits on the balance sheet represents the total of cash of £15.0 million (1999 - £14.5 million) and time deposits of £36.3 million (1999 - £34.3 million).

### **b OBLIGATIONS UNDER PROPERTY LEASES AND FINANCE LEASES**

The obligations under property leases were repaid early (see Note 15). The capital element of lease payments made in the year was £20.4 million including the repayment of the obligations under property leases (1999 - £6.5 million). Interest paid includes £0.8 million (1999 - £1.7 million) in relation to obligations under property and finance leases.

## 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 1 April 2000.

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 before 29 March 1997 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**

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. 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 and provision for impairment. Depreciation has been provided on freehold stores in the 53 weeks to 1 April 2000 in accordance with FRS 15. Depreciation is charged on a straight-line basis over the following periods. Freehold land is not depreciated.

Freehold buildings	- 50 years
Fixed equipment in freehold buildings	- 20 years
Leasehold improvements	- the period of the lease
Fixtures, fittings and equipment	- 3 to 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 provision for impairment. 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 1 April 2000. The comparative period covered the 52 weeks ended 27 March 1999.

### 2 SUPPLEMENTARY PROFIT AND LOSS INFORMATION

All turnover and retail profit is derived from businesses in the UK.

Turnover by destination can be analysed as follows:

	Continuing 2000 £ million	Discontinued Bhs 2000 £ million	Total 2000 £ million	Continuing 1999 £ million	Discontinued Bhs 1999 £ million	Total 1999 £ million
UK including Channel Islands	406.9	801.7	1,208.6	424.6	813.7	1,238.3
Rest of Europe	17.1	4.9	22.0	17.3	13.2	30.5
Rest of World	19.7	15.8	35.5	30.5	29.3	59.8
	<b>443.7</b>	<b>822.4</b>	<b>1,266.1</b>	<b>472.4</b>	<b>856.2</b>	<b>1,328.6</b>

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

	Continuing 2000 £ million	Discontinued Bhs 2000 £ million	Total 2000 £ million	Continuing 1999 £ million	Discontinued Bhs 1999 £ million	Total 1999 £ million
Depreciation of tangible assets	14.7	51.9	66.6	15.9	47.3	63.2
Net rent of properties	46.3	64.7	111.0	48.9	59.1	108.0
Auditors' remuneration						
audit	0.1	0.1	0.2	0.1	0.1	0.2
non-audit	0.5	-	0.5	0.3	-	0.3
Staff costs						
wages and salaries (including bonuses)	47.4	93.3	140.7	44.7	91.3	136.0
social security costs	2.6	4.8	7.4	2.6	5.0	7.6
other pension costs	0.1	-	0.1	0.1	-	0.1

An analysis of the average number of full and part-time employees throughout the group, all of whom are employed in the UK, including executive directors, is as follows:

	2000	1999
Number of employees	<b>20,130</b>	20,686
Full-time equivalents	<b>10,620</b>	10,747

## Notes to the accounts

### 3 EXCEPTIONAL ITEMS

The exceptional items can be summarised as follows:

	Continuing £ million	Discontinued Bhs £ million	Total £ million
<b>COST OF SALES</b>			
Stock disposal programme	(15.9)	(38.3)	(54.2)
Store asset write-off	(16.4)	-	(16.4)
Mothercare.com	(3.6)	-	(3.6)
Store closure costs	(1.7)	(1.3)	(3.0)
Other one-off costs	(2.7)	(4.0)	(6.7)
	(40.3)	(43.6)	(83.9)
<b>ADMINISTRATIVE EXPENSES</b>			
Head office asset write-off	(1.8)	-	(1.8)
Other one-off costs			
Mothercare	(0.4)	-	(0.4)
Storehouse	(5.8)	(0.9)	(6.7)
	(8.0)	(0.9)	(8.9)
<b>TOTAL CHARGED TO RETAIL PROFIT</b>	<b>(48.3)</b>	<b>(44.5)</b>	<b>(92.8)</b>
<b>PROFIT AND LOSS ON DISPOSAL OF STORES</b>			
Profits on stores sold	16.5	12.3	28.8
Losses on stores sold	(0.7)	(3.8)	(4.5)
Net profits on stores sold	15.8	8.5	24.3
Provision for loss on disposal of stores	(8.6)	(11.9)	(20.5)
	7.2	(3.4)	3.8
<b>PROVISION FOR COSTS OF SEPARATION</b>	<b>(6.8)</b>	<b>-</b>	<b>(6.8)</b>
<b>PROVISION FOR LOSS ON DISPOSAL OF BHS</b>	<b>-</b>	<b>(300.6)</b>	<b>(300.6)</b>
<b>TOTAL EXCEPTIONAL ITEMS</b>	<b>(47.9)</b>	<b>(348.5)</b>	<b>(396.4)</b>

There is no net tax effect as a result of the exceptional items. The net cash impact of the exceptional items in 2000/01 was a cash inflow of £43.7 million. Excluding the net proceeds on the disposal of Bhs, the estimated cash outflow in the continuing business in 2000/01 as a result of these exceptional items is £12.2 million.

The exceptional item in 1998/99 consisted of:

	Continuing £ million	Discontinued £ million	Total £ million
Redundancy	1.5	0.8	2.3
Store closures at Mothercare	16.0	-	16.0
Total	17.5	0.8	18.3
Tax credit arising on exceptional items	0.9	0.2	1.1

## Notes to the accounts

**3 EXCEPTIONAL ITEMS****EXCEPTIONAL ITEMS CHARGED TO THE LOSS FROM RETAIL OPERATIONS**

**Stock disposal programme** Following the restructuring programmes of the business announced in November 1999 a stock clearance exercise was undertaken as part of the implementation of the new strategic plans.

**Fixed assets** In accordance with FRS 11 the group has reviewed the carrying value of the Mothercare assets. As a result an impairment charge of £18.2 million has been reflected against the cost of those assets both at the stores and head office.

**Mothercare.com** The group has incurred costs of £3.6 million to date associated with the launch of Mothercare.com

**Store closures** Additional provision has been made for the redundancies and other related costs arising from the store closure programme announced at the year end at Mothercare and at Bhs at the half year in accordance with FRS 12. This resulted in costs of £3.0 million of which £1.5 million has been spent during 1999/2000.

**Other one-off costs** In addition, the group incurred various one-off costs including the cost of the strategic review; the compensation paid to two directors for loss of office in accordance with their service contracts and the write-down of the shares held by the Storehouse employee trusts in accordance with UITF 13 and FRS 11. In total £13.8 million has been charged to the loss from retail operations as a result of these items.

**PROFIT OR LOSS ON DISPOSAL OF STORES**

During the year the group has disposed of a number of stores arising from the Mothercare store disposal programme. In addition the group's interest in the freehold of four Bhs stores have been sold. As a result the group has generated a net profit on disposal of stores of £24.3 million and generated cash of £49.0 million.

In addition, the group has provided for the cost of disposing of six Bhs stores and expanded the Mothercare disposal programme to cover a further 16 stores. The provision for loss on disposal of £20.5 million on these stores includes £8.7 million to cover the future lease obligations and other costs of £2.8 million.

**COSTS OF SEPARATION OF BHS AND MOTHERCARE**

Provision of £6.8 million has been made for the costs of separating the Bhs and Mothercare businesses as two stand-alone entities.

**PROVISION FOR LOSS ON DISPOSAL OF BHS**

On 27 March 2000, the group announced that it has signed heads of terms with Measuremarket Limited for the disposal of Bhs. The disposal agreement was signed on 7 April 2000 and following shareholder approval at the EGM on 16 May, the disposal was completed on 22 May 2000. Accordingly, a provision has been made for the estimated loss on the date of disposal of £300.6 million which includes direct costs of £3.6 million. This provision has been made against the carrying value of the fixed assets of Bhs.

## Notes to the accounts

### 4 INTEREST AND OTHER ITEMS

	2000 £ million	1999 £ million
Interest payable		
Bank loans and overdrafts (repayable within five years, not by instalments)	(8.1)	(7.4)
Obligations under finance leases (repayable within five years by instalments)	(0.2)	(0.1)
Obligations under property leases (repayable within five years by instalments)	(0.6)	(1.6)
Interest receivable	2.4	3.4
	<b>(6.5)</b>	<b>(5.7)</b>

### 5 TAXATION

The charge for tax on profit on ordinary activities comprises:

	2000 £ million	1999 £ million
UK corporation tax at 30% (1999 – 31%)	(16.2)	23.6
Overseas taxation	0.4	0.2
Deferred taxation	19.9	4.5
	4.1	28.3
Adjustment for prior years	(3.8)	(1.8)
Taxation arising on income of the group	0.3	26.5

Deferred taxation included in the balance sheet comprises:

	Group	
	2000 £ million	1999 £ million
Excess of capital allowances over book depreciation	50.0	23.4
Other timing differences	(5.3)	1.5
	<b>44.7</b>	<b>24.9</b>

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

	£ million
Balance at beginning of year	24.8
Charged to profit and loss	19.9
<b>BALANCE AT END OF YEAR</b>	<b>44.7</b>

The amount of deferred taxation cumulatively not provided, principally arising on capital allowances in the group balance sheet, was £1.4 million (1999 – £26.7 million).

## Notes to the accounts

### 6 DIVIDENDS ON EQUITY SHARES

	2000 £ million	1999 £ million
Interim of nil pence per share paid (1999 – 3.7p)	–	15.8
Final of nil pence per share proposed (1999 – 5.4p)	–	22.8
	–	38.6

### 7 EARNINGS PER SHARE

	2000	1999
Average number of ordinary shares in issue	<b>420.2m</b>	423.5m
Diluted impact of options including Option 2000	–	0.6m
Diluted impact of LTIP shares	<b>0.8m</b>	0.2m
Average number of potential ordinary shares in issue	<b>421.0m</b>	424.3m
(Loss) profit for the financial year	<b>£(389.7)m</b>	£53.8m
Profit for the financial year excluding exceptional items	<b>£6.7m</b>	£71.0m
(Loss) earnings per share	<b>(92.8)p</b>	12.7p
Earnings per share excluding exceptional items	<b>1.6p</b>	16.8p
Diluted (loss) earnings per share	<b>(92.8)p</b>	12.6p

Earnings per share has been calculated excluding the exceptional items in Note 3 to give the underlying trading performance of the group.

## Notes to the accounts

### 8 TANGIBLE ASSETS

The net book value of tangible fixed assets shown in the group balance sheet comprises:

	Properties, including fixed equipment		Fixtures, fittings, equipment £ million	Assets in course of construction £ million	Total £ million
	Freehold £ million	Leasehold £ million			
<b>COST</b>					
Balance at beginning of year	86.0	463.8	500.9	7.1	1,057.8
Transfers	1.7	5.0	11.3	(18.0)	-
Additions	-	6.4	21.8	16.9	45.1
Disposals	(22.3)	(1.4)	(3.4)	-	(27.1)
<b>BALANCE AT END OF YEAR</b>	<b>65.4</b>	<b>473.8</b>	<b>530.6</b>	<b>6.0</b>	<b>1,075.8</b>
<b>ACCUMULATED DEPRECIATION</b>					
Balance at beginning of year	5.9	131.9	261.3	-	399.1
Charge for the year	0.6	15.7	50.3	-	66.6
Impairment losses	-	9.6	8.6	-	18.2
Disposals and provision for closure of stores	(1.1)	(9.5)	(17.7)	-	(28.3)
<b>BALANCE AT END OF YEAR</b>	<b>5.4</b>	<b>147.7</b>	<b>302.5</b>	<b>-</b>	<b>455.6</b>
<b>NET BOOK VALUE</b>					
Balance at beginning of year	80.1	331.9	239.6	7.1	658.7
Continuing operations	17.8	43.8	30.1	0.8	92.5
Discontinued operations	42.2	282.3	198.0	5.2	527.7
Balance at end of year before provision for loss on disposal	60.0	326.1	228.1	6.0	620.2
Provision for loss on disposal of Bhs					(300.6)
<b>BALANCE AT END OF YEAR</b>					<b>319.6</b>

The net book value of leasehold properties includes £164.1 million (1999 - £166.2 million) in respect of short leasehold properties. The net book value of leasehold properties included in 1999 £52.0 million held under finance lease and fixtures, fittings and equipment include £5.0 million (1999 - £5.8 million).

The net book value of tangible fixed assets shown in the Company balance sheet comprises:

	Fixtures, fittings, equipment £ million
<b>COST</b>	
Balance at beginning and end of year	5.8
<b>DEPRECIATION</b>	
Charge for the year	0.8
Balance at end of year	0.8
<b>NET BOOK VALUE</b>	
Balance at beginning of year	5.8
Balance at end of year	5.0

Included in fixtures, fittings and equipment is £5.0 million (1999 - £5.8 million) of assets held under finance lease.

## Notes to the accounts

**9 INVESTMENTS**

Investments in the group balance sheet consist of the group's interests in its own shares through an ESOP (Employee Share Ownership Plan) and the LTIP (Long Term Incentive Plan) which have been accounted for in accordance with UITF Abstracts 13 and 17. The cost of shares to be allocated is spread over the period of the LTIP. The cost of the shares held by the LTIP has been written down during the year. The movement in the year is as follows:

	2000 £ million
Cost of shares at beginning of year	6.5
Write-off of shares (Note 3)	(5.0)
	<b>1.5</b>

Investments in the Company's balance sheet consist of its investments in its subsidiary undertakings.

The trading subsidiary undertakings at 1 April 2000 (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	Retailing	England
Bhs (Jersey) Limited	Retailing	Jersey
Mothercare UK Limited	Retailing	England
Childrens World Limited	Retailing	England
Storehouse Finance plc*	Finance company	England
Storehouse Properties Limited*	Investment property	England
Davenbush Limited*	Investment property	England

\* Direct subsidiary of Storehouse plc.

Issued share capital represents only ordinary shares or their equivalent.

The principal country of operation for the subsidiary undertakings is the UK 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:

	2000 £ million	1999 £ million
Cost of investments less amounts written off £153.0 million (1999 – £63.2 million)	<b>63.7</b>	153.5
Loans to subsidiary undertakings	<b>65.8</b>	171.2
	<b>129.5</b>	324.7

**10 DEBTORS**

	Group		Company	
	2000 £ million	1999 £ million	2000 £ million	1999 £ million
Trade debtors	23.0	42.9	–	–
Amounts due from subsidiary undertakings	–	–	38.6	47.5
Prepayments and accrued income	41.9	41.1	–	–
Other debtors	0.3	14.4	0.9	9.1
	<b>65.2</b>	98.4	<b>39.5</b>	56.6

Included within group debtors is £0.3 million (1999 – £8.8 million) which is due in over one year; included within the Company in 1999 was £8.4 million which was due in over one year.

## Notes to the accounts

### 11 CREDITORS (amounts falling due within one year and after one year)

	Group		Company	
	2000 £ million	1999 £ million	2000 £ million	1999 £ million
Bank overdrafts	20.7	22.7	19.6	69.0
Bills of exchange and bank loans	93.5	93.0	-	-
Obligations under finance leases	2.0	1.9	2.0	1.9
Obligations under property leases	-	6.8	-	-
Trade creditors	43.8	81.0	1.1	0.4
Proposed dividend	-	22.8	-	22.8
Current taxation	10.5	27.7	-	-
ACT payable	-	3.9	-	-
Amounts due to subsidiary undertakings	-	-	44.9	49.4
Payroll and other taxes, including social security	6.0	4.4	0.3	0.3
Accruals and deferred income	71.1	47.3	14.8	1.7
Landlords' contributions	6.6	10.4	-	-
Other creditors	3.2	1.7	-	-
	<b>257.4</b>	<b>323.6</b>	<b>82.7</b>	<b>145.5</b>

#### AMOUNTS FALLING DUE AFTER ONE YEAR

Bank loans	2.5	-	-	-
Obligations under finance leases	2.0	3.9	2.0	3.9
Obligations under property leases	-	11.7	-	-
Landlords' contributions	6.8	11.4	-	-
Corporation taxation	0.3	0.3	-	-
	<b>11.6</b>	<b>27.3</b>	<b>2.0</b>	<b>3.9</b>

The obligations under property leases were redeemed early in September 1999 and replaced by bank loans on similar terms.

	Group		Company	
	2000 £ million	1999 £ million	2000 £ million	1999 £ million
Bank loans are analysed as follows				
Amounts payable within one year	91.0	-	-	-
Amounts payable within two to five years	2.5	-	-	-
	<b>93.5</b>	<b>-</b>	<b>-</b>	<b>-</b>
Obligations under finance leases are analysed as follows				
Amounts payable within one year	2.1	2.0	2.1	2.0
Amounts payable within two to five years	2.1	4.2	2.1	4.2
	<b>4.2</b>	<b>6.2</b>	<b>4.2</b>	<b>6.2</b>
Finance charges allocated to future periods	(0.2)	(0.4)	(0.2)	(0.4)
	<b>4.0</b>	<b>5.8</b>	<b>4.0</b>	<b>5.8</b>
Obligations under property leases are analysed as follows				
Amounts payable within one year	-	7.9	-	-
Amounts payable within two to five years	-	12.5	-	-
	<b>-</b>	<b>20.4</b>	<b>-</b>	<b>-</b>
Finance charges allocated to future periods	-	(1.9)	-	-
	<b>-</b>	<b>18.5</b>	<b>-</b>	<b>-</b>

## Notes to the accounts

**12 GROUP BORROWINGS**

The group uses financial instruments to raise finance for its operations and to manage risk arising from those operations. All transactions in derivatives (principally forward foreign exchange contracts) are taken to manage the risks outlined below. No transactions of a speculative nature are undertaken, and no options are used.

The major financial risks faced by the group are interest risk and exchange rate risk. The board reviews and agrees the policies for managing each of these risks as summarised below. There has been no change since the year end to the major financial risks faced by the group or to the group's approach to the management of these risks.

**FINANCE AND INTEREST RATE RISK**

The group's policy is to finance operating companies by a mixture of retained profits and bank borrowings. The group borrows in sterling at both fixed and floating rates of interest. At the year end 10.9 per cent of the group's borrowings were at fixed interest rates.

The interest charge for the year, excluding interest receivable, of £8.9 million was 5.8 per cent when measured against average gross borrowings of £151.7 million (1999 – 7.5 per cent on borrowings of £119.1 million) excluding time deposits. Interest overall is covered two times by profit before interest, exceptionals and tax (1999 – 18 times).

At the end of the year 3.8 per cent of the group's gross borrowings were due to mature in over one year. Short-term flexibility is achieved by overdraft facilities to meet the peak borrowing requirements of the group before Christmas.

**FOREIGN CURRENCY RISK**

About five per cent of the sales of the group's UK businesses in 2000 were to franchisees overseas which are all billed in sterling. The group therefore has no currency exposure on these sales. Less than 2 per cent of the group's purchases are made in a foreign currency and the exchange risk is hedged by using forward contracts. The group's policy is to cover 100 per cent of all material exposures on such creditors that arise from time to time. All other purchases sourced from overseas are invoiced in sterling and therefore the group manages the currency exposure by eliminating any adverse movements in sterling against the underlying currencies while foregoing the benefit of any upward movements.

**ANALYSIS OF BORROWINGS BY INTEREST RATE AND CURRENCY**

The gross borrowings of the group, all of which are in sterling, by interest rate exposure at 1 April 2000 were:

	Total £ million	Floating borrowings £ million	Fixed borrowings £ million
Bank overdrafts	20.7	20.7	–
Bills of exchange and bank loans	96.0	87.0	9.0
Obligations under finance leases excluding finance charges allocated to future periods	4.2	–	4.2
<b>Gross borrowings</b>	<b>120.9</b>	<b>107.7</b>	<b>13.2</b>

The floating rate borrowings comprise sterling denominated bank borrowings that bear interest rates based on libor.

The weighted average interest rate is 6.4 per cent and the weighted average time for which the rate was fixed was one year.

All of the bank borrowings were repaid early on the disposal of Bhs on 22 May 2000.

## Notes to the accounts

### 12 GROUP BORROWINGS continued

#### MATURITY OF GROSS BORROWINGS

The maturity of the group's gross borrowings is as follows:

	£ million
Within one year	116.3
Between one and two years	4.6
<b>TOTAL</b>	<b>120.9</b>

#### BORROWING FACILITIES

The group had £126.8 million undrawn committed borrowing facilities available to it at 1 April 2000. All committed facilities were cancelled on the disposal of Bhs on 22 May 2000.

#### CURRENCY ANALYSIS OF NET ASSETS

The group's borrowings and net assets (excluding gross borrowings) by currency at 1 April 2000 were:

Currency	Net assets excluding gross borrowings by currency of operation £ million	Gross borrowings £ million
Sterling	345.0	120.9
US dollar	1.5	-
	<b>346.5</b>	<b>120.9</b>

The amounts shown in the previous table are after taking into account forward foreign currency contracts.

#### FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a year-end comparison of current book values of all the group's financial instruments by category.

Where market prices are not available for a particular instrument, fair values have been calculated by discounting cash flows at prevailing interest and exchange rates.

	2000 book values £ million	2000 fair values £ million
Other short-term financial assets	1.5	1.5
Forward currency contracts	2.3	2.3

#### MARKET PRICE RISK

The group monitors interest rate risk by determining the effect on profit before tax of a range of possible changes in interest rates. Assuming no changes to the borrowings described above, it is estimated that a rise of one percentage point in interest rates would reduce 1999/2000 profit before tax and exceptionals by approximately 20 per cent.

## Notes to the accounts

**13 PROVISIONS FOR LIABILITIES AND CHARGES**

	Group	
	2000 £ million	1999 £ million
Deferred taxation (Note 5)	44.7	24.9
Other provisions	17.0	6.5
	<b>61.7</b>	<b>31.4</b>

The movement on other provisions can be analysed as follows:

	Disposal provisions	Exceptional provisions	Total
Balance at beginning of year	0.4	6.1	6.5
Utilised in year	(0.1)	(5.2)	(5.3)
Exceptional items (Note 3)	-	15.8	15.8
<b>BALANCE AT END OF YEAR</b>	<b>0.3</b>	<b>16.7</b>	<b>17.0</b>

The disposal provisions arose on the disposal of Habitat in 1992 and Blazer in 1996. The provisions included the cost of disposing of leases which remained with the group and the balance represents the remaining costs under those leases where the group still has some exposure. The exceptional provisions principally represent the costs of the Mothercare and Bhs store disposal programme. Details of the exceptional provisions are given in Note 3 to the accounts.

**14 CALLED-UP SHARE CAPITAL**

The authorised share capital is represented by 549,500,000 (1999 – 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 and end of year	424,087,745	42.4

**15 RESERVES**

The movement on reserves is as follows:

	Company			Group	
	Profit and loss account £ million	Share premium account £ million	Share premium account £ million	Profit and loss account £ million	Acquisition and merger reserves £ million
Balance at beginning of year	163.6	31.7	31.7	467.7	73.5
Loss for the financial year	(148.4)	-	-	(389.7)	-
Dividends paid and proposed	-	-	-	-	-
Transfer on reserves	-	-	-	73.5	(73.5)
Share issue	-	-	-	-	-
<b>BALANCE AT END OF YEAR</b>	<b>15.2</b>	<b>31.7</b>	<b>31.7</b>	<b>151.5</b>	<b>-</b>

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, net of amounts written back on subsequent disposals, arising since the formation of Storehouse, which has been written off, is £30.1 million (1999 – £30.1 million).

## Notes to the accounts

### 16 COMMITMENTS

	Group	
	2000 £ million	1999 £ million
Contracts for capital expenditure	26.7	9.6

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

	Buildings		Other	
	2000 £ million	1999 £ million	2000 £ million	1999 £ million
Leases which expire				
within one year	0.3	0.2	1.3	0.8
between two and five years	2.6	3.2	3.6	4.1
over five years	110.0	111.3	0.6	-
	112.9	114.7	5.5	4.9

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 two defined benefit pension schemes for its employees during the year.

The majority of the assets of each scheme are held in a separate trustee common investment fund, the Storehouse Pension 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 valuations were carried out at 1 April 1997. The next actuarial valuation will be carried out as at 1 April 2000.

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

Rate of return on investments	8.75 per cent
Rate of increase in salaries	7.0 – 8.0 per cent
Rate of increase in pensions	4.5 per cent

The aggregate market value of the investments at 1 April 1997 was £369.6 million and the actuarial values were sufficient to cover between 127 per cent and 156 per cent (average 134 per cent) of the benefits that had accrued to members after allowing for expected future increases in earnings.

The total pension cost for the group is £0.1 million (1999 – £0.1 million) and includes a credit of £13.3 million (1999 – £12.8 million) in respect of amortisation of pension surpluses arising in earlier years which are being allocated to the remaining estimated service lives of members of between six and 15 years.

For the protection of members' interest, 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.

### 17 SUBSEQUENT EVENT

On 22 May 2000 Bhs plc was sold to Measuremarket Limited and the group received £224.3 million. The final consideration will be determined in July 2000.

## Notes to the accounts

### **18 EMPLOYEES' AND EXECUTIVE SHARE SCHEMES**

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#### **THE STOREHOUSE EXECUTIVE SHARE OPTION SCHEME**

Under this scheme full-time executives are granted options to acquire shares in the Company. Further details of the schemes are given in the report of the remuneration committee. Options are usually granted each year after the announcement of the Company's full year results, but an allocation to a small number of participants is also made after the interim results are announced. This year, the grant due to be made in May 1999 was brought forward to January following the Christmas Trading Statement. Exercises of Executive Share Options granted after 5 April 1999 will attract Employers' National Insurance contributions at 12.2 per cent. By bringing forward the grant to January 1999, this liability was avoided. No awards were made to the then executive directors at that time in January 1999.

#### **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 three, five or seven years after the date of commencement (usually two months after the date of grant) of the SAYE contract.

#### **OPTION 2000**

This scheme was introduced in 1996, when all employees (excluding directors and other employees eligible for the executive share option scheme) with one year's service at 1 July 1996 were granted options to purchase shares for £2.93 between June and November 2000. A further grant of options was made in July 1997 at the same option price exercisable between June and November 2001, for employees at July 1996 who had not then completed one year's service (ie, those who joined between 1 July 1995 and 30 June 1996). In both 1996 and 1997 full-time employees received options over 1,000 shares, with smaller option grants for part-time employees.

#### **LONG-TERM INCENTIVE PLAN**

Under this plan selected directors and full-time executives may, subject to the achievement of pre-defined performance criteria over a three year period, receive shares in the Company. Further details of the plan are given in the report of the remuneration committee.

#### **STOREHOUSE EMPLOYEE TRUST**

The Storehouse Employee Trust is a discretionary trust for the benefit of employees and former employees (and their dependants) of the Company and its subsidiaries. The trust may buy shares in the market or subscribe for new shares in the Company; for example, it may buy shares for awards under any of the share schemes. The trust has waived the payment of any dividends.

Notes to the accounts

**18** EMPLOYEES' AND EXECUTIVE SHARE SCHEMES continued

Outstanding options at 1 April 2000 under the group's share option schemes were as follows:

		Ordinary shares 2000	Ordinary shares 1999	Date of grant	Option price (p)
Storehouse executive share option scheme		<b>13,663</b>	15,303	June 89	161
		<b>11,474</b>	11,474	June 90	127
		<b>15,974</b>	15,974	May 91	99
		<b>60,885</b>	60,885	May 92	142
		-	114,783	Nov 92	184
		<b>210,963</b>	342,463	May 93	199
		-	722,388	Nov 93	201
		<b>570,995</b>	918,215	May 94	208
		<b>18,887</b>	18,887	Nov 94	214
		<b>416,348</b>	939,298	May 95	264
Storehouse 1995 executive share option scheme		<b>57,521</b>	119,467	Dec 95	339
		<b>642,378</b>	1,273,094	June 96	317
		<b>47,787</b>	75,668	Nov 96	269
		<b>1,332,401</b>	2,381,623	June 97	202
		<b>217,211</b>	307,374	Nov 97	244
		<b>1,377,180</b>	2,231,688	May 98	279
		<b>312,055</b>	358,153	Nov 98	141
		<b>3,324,002</b>	4,826,750	Jan 99	124.8
	<b>646,860</b>	-	May 99	112.4	
Storehouse sharesave scheme	5 year	-	431	June 93	160
	7 year	<b>103,478</b>	105,915	June 93	160
	5 year	<b>4,956</b>	442,243	June 94	167
	7 year	<b>68,041</b>	77,614	June 94	167
	5 year	<b>332,669</b>	448,845	June 95	212
	7 year	<b>38,017</b>	50,625	June 95	212
Storehouse 1995 sharesave scheme	3 year	<b>15,270</b>	225,600	June 96	260
	5 year	<b>155,148</b>	214,018	June 96	260
	7 year	<b>37,500</b>	52,260	June 96	260
	3 year	<b>455,443</b>	738,212	June 97	178
	5 year	<b>428,866</b>	686,163	June 97	178
	7 year	<b>96,427</b>	134,190	June 97	178
Storehouse Option 2000 scheme		<b>3,860,250</b>	6,283,000	July 96	293
Storehouse Option 2001 scheme		<b>777,500</b>	1,262,500	July 97	293
		<b>15,650,149</b>	25,455,103		

## Five year record

### SUMMARY OF TURNOVER AND PROFIT

	2000 £ million	1999 £ million	1998 £ million	1997 £ million	1996 £ million
<b>TURNOVER</b>					
Continuing – Mothercare	443.7	472.4	481.3	441.8	319.8
Discontinued	822.4	856.2	853.7	807.9	763.8
Total	1,266.1	1,328.6	1,335.0	1,249.7	1,083.6
<b>PROFIT (LOSS) FROM RETAIL OPERATIONS BEFORE EXCEPTIONAL ITEMS</b>					
Continuing – Mothercare	0.4	17.9	31.4	30.8	24.2
Discontinued	13.1	86.4	96.5	88.2	77.8
Before exceptional items	13.5	104.3	127.9	119.0	102.0
Exceptional items	(396.4)	(18.3)	–	(20.5)	1.2
Interest and other items	(6.5)	(5.7)	(2.8)	(0.7)	6.7
Profit before taxation	(389.4)	80.3	125.1	97.8	109.9
Taxation	(0.3)	(26.5)	(35.0)	(34.0)	(35.3)
Profit (loss) for the financial year	(389.7)	53.8	90.1	63.8	74.6
Earnings per share	(92.8)p	12.7p	21.4p	15.2p	17.9p
Dividend per share	–	9.1p	9.0p	8.1p	7.2p

### SUMMARY OF BALANCE SHEETS

Fixed assets	321.1	665.2	613.8	546.5	491.7
Net current assets	(22.2)	8.8	33.7	53.3	61.0
Creditors falling due after one year	(11.6)	(27.3)	(32.6)	(43.9)	(13.3)
Provisions for liabilities and charges	(61.7)	(31.4)	(16.4)	(12.7)	(7.4)
Total net assets	225.6	615.3	598.5	543.2	532.0

### OTHER KEY STATISTICS

Share price at year end (pence)	37.0	125.5	254.0	236.5	341.0
Net cash (debt)/equity (%)	(30.8)	(14.8)	(8.6)	(7.0)	13.8
Capital expenditure	92.5	140.2	124.1	94.1	129.0
Depreciation	66.6	63.2	55.1	45.3	39.4
Rents	111.0	108.0	98.5	90.9	76.4
Number of stores	427	494	485	481	435
Net selling space (000s sq ft)	6,423	6,774	6,520	6,349	5,268
Average number of employees	20,130	20,686	20,994	20,841	19,088
Average number of full-time equivalents	10,620	10,747	10,795	10,866	9,946

The results for 1996 to 1998 have been restated in accordance with FRS 14 Earnings per Share.

## Shareholder information

### SHAREHOLDER ANALYSIS

A summary of holdings as at 18 May 2000 is as follows:

	Storehouse ordinary shares	
	Number million	Number of holders
Banks, insurance companies and pension funds	3.1	21
Nominee companies	331.4	2,633
Other corporate holders	17.6	426
Individuals	71.4	44,172
Employees	0.6	459
	<b>424.1</b>	<b>47,711</b>

As can be seen from the above analysis, many shares are registered in the name of a nominee company as the legal owner. The underlying holder of shares through a nominee account is the beneficial owner of these shares, being entitled to the capital value and the income arising from them. An analysis of these nominee holdings shows that the largest underlying holders are pension funds, with unit trusts and insurance companies the other major types of shareholder.

Individual shareholders owning 500 or more Storehouse shares are entitled to a 10 per cent discount in defined denominations on up to £500 of merchandise in Mothercare stores. If an individual shareholding of 500 or more shares is not on the share register but is held through a nominee or trustee, the book of vouchers can nevertheless be obtained by contacting the company secretary at Storehouse.

### SHARE PRICE DATA

	2000	1999
Share price at 31 March 2000 (26 March 1999)	<b>37.0p</b>	125.5p
Market capitalisation	<b>£156.9m</b>	£532.2m
Share price movement during the year		
high	<b>156.5p</b>	293.5p
low	<b>30.0p</b>	108.5p

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.

### REGISTRARS AND TRANSFER OFFICE

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA.

## Financial calendar

<b>2000</b>	
Annual General Meeting	20 July
Announcement of interim results	23 November
<b>2001</b>	
Payment of interim dividend	February
Preliminary announcement of results for 52 weeks to end March 2001	end-May
Issue of report and accounts	mid-June
Annual General Meeting	mid-July
Payment of final dividend	mid-August



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