

# **BHS LIMITED**

## **FINANCIAL STATEMENTS, DIRECTORS' AND INDEPENDENT AUDITORS' REPORTS**

**FOR THE 52 WEEKS ENDED 1 APRIL 2006**

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COMPANIES HOUSE

COMPANY REGISTERED NUMBER: 00229606

**BHS LIMITED**  
**DIRECTORS' REPORT**

The directors submit their report on the financial statements for the 52 weeks ended 1 April 2006.

**Principal activity**

The principal activity of the company is that of retailing, primarily in the United Kingdom.

**Business review**

During the financial year, operating profit amounted to £31,827,000 (2005: (restated) £88,695,000) and the profit before taxation amounted to £30,967,000 (2005: (restated) £87,541,000). Net assets at the year end were £130,571,000 (2005: (restated) £97,874,000).

During the year the company adopted FRS 17 as the basis of accounting for pensions which required the restatement of comparative results. The profit before tax for the 53 weeks ended 2 April 2005 was previously reported as £91,824,000.

Following a review of the company's pension arrangements the defined benefit pension schemes were closed to employees joining the company after 29 July 2005. A new defined contribution scheme has been introduced which should provide greater certainty in future as to the cost of pension provision.

The movement in operating profit reflects current market conditions mitigated in part by continuing focus on product quality, supply chain improvements and control of overhead costs.

The company paid no interim dividend (2005: £nil). The directors do not propose a final dividend (2005: £nil).

**Directors**

The directors who served during the year were:

- P Green
- A Leighton
- P Coackley
- I M Allkins
- C Coles

None of the directors have an interest in the shares of the company. The interests of P Green, P Coackley, I Allkins and C Coles in the shares of Bhs Group Limited are disclosed in the accounts of that company. Other directors do not have an interest in the shares of Bhs Group Limited.

**Disabled employees**

The company ensures that disabled people are given due consideration for employment opportunities and if employees become disabled every effort is made to retain them, providing requisite employment aids. Bhs is an equal opportunities employer, recruiting employees on the basis of suitability for the job and on no other grounds.

**BHS LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**Employee involvement**

Incentive plans related to sales performance operate in stores, rewarding individual store team performance. Senior Managers participate in annual incentive plans which are related to company profits, departmental objectives and individual performance. This is an important part of the company's strategy to attract, motivate and retain high calibre managers, while focusing on continuing to improve business performance.

A comprehensive communication and involvement programme supports incentive plans, including the use of newspapers, face to face briefings and store based communication, ensuring that all employees understand operations and financial progress.

**Donations**

The total amount donated for charitable purposes was £3,000 (2005: £3,000).


**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

On 8 May 2001 the company passed an elective resolution to dispose with the annual appointment of auditors.

By Order of the Board



D V Cash  
Company Secretary  
12 July 2006

**BHS LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT  
AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHS LIMITED**

We have audited the financial statements of Bhs Limited for the year ended 1 April 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, 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 financial statements 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 financial statements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHS LIMITED (CONTINUED)

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 April 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*



12 July 2006

KPMG LLP  
Chartered accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB

**BHS LIMITED**  
**COMPANY PROFIT AND LOSS ACCOUNT**  
**FOR THE 52 WEEKS ENDED 1 APRIL 2006**

	Note	Total 2006 £000	Total 2005 (restated) £000
Turnover	2	851,860	880,900
Cost of sales		<u>(784,097)</u>	<u>(756,870)</u>
Gross profit		67,763	124,030
Administrative expenses		(10,710)	(10,766)
Distribution costs		<u>(25,226)</u>	<u>(24,569)</u>
Operating profit		31,827	88,695
Other interest receivable and similar income	3	3,832	5,479
Interest payable and similar charges	4	<u>(4,692)</u>	<u>(6,633)</u>
Profit on ordinary activities before taxation	5	30,967	87,541
Tax on profit on ordinary activities	8	<u>(5,432)</u>	<u>(26,752)</u>
Retained profit for the financial year	18	<u>25,535</u>	<u>60,789</u>

The company uses the unmodified historical cost convention which means that the profit for the year is equal to the profit under the historical cost convention.

All turnover and operating profit arises from continuing operations. There were no acquisitions or discontinued activities in the year.

The company's adoption of FRS 17 as the basis of accounting for pensions required the restatement of comparative results. For the 53 weeks ended 2 April 2005 the restated profit on ordinary activities before taxation of £87,541,000 was previously stated as a profit of £91,824,000.

The notes on pages 9 to 23 form an integral part of these financial statements.

**BHS LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE 52 WEEKS ENDED 1 APRIL 2006**

	Note	52 weeks ended 1 April 2006 £000	53 weeks ended 2 April 2005 (restated) £000
Retained profit for the financial year	18	25,535	60,789
Actuarial gain	7	10,232	10,040
Deferred tax on actuarial gain		<u>(3,070)</u>	<u>(3,012)</u>
<b>Total recognised gains and losses relating to the period</b>		32,697	67,817
Prior year adjustment		<u>(56,571)</u>	<u>-</u>
<b>Total recognised gains and losses</b>		<u>(23,874)</u>	<u>67,817</u>

The notes on pages 9 to 23 form an integral part of these financial statements.




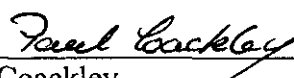
**BHS LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 1 APRIL 2006**

		<b>1 April 2006</b>		<b>2 April 2005</b> <b>(restated)</b>	
	<b>Note</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	10	285,318		279,776	
Investments	11	<u>1,600</u>		<u>1,600</u>	
			286,918		281,376
<b>Current assets</b>					
Stocks	12	71,695		78,785	
Debtors	13	35,599		31,401	
Cash at bank and in hand		<u>-</u>		<u>61,895</u>	
<b>Total current assets</b>		107,294		172,081	
<b>Creditors: amounts falling due within one year</b>	14	<u>(167,962)</u>		<u>(259,964)</u>	
<b>Net current liabilities</b>			<u>(60,668)</u>		<u>(87,883)</u>
<b>Total assets less current liabilities</b>			226,250		193,493
<b>Creditors: amounts falling due after more than one year</b>	15		(12,761)		(4,689)
<b>Provisions for liabilities and charges</b>					
Deferred tax	16	(27,985)		(31,887)	
Other provisions	16	<u>(6,143)</u>		<u>(6,731)</u>	
			<u>(34,128)</u>		<u>(38,618)</u>
<b>Net assets before pension liability</b>			179,361		150,186
<b>Pension liability</b>	7		<u>(48,790)</u>		<u>(52,312)</u>
<b>Net assets</b>			<u>130,571</u>		<u>97,874</u>
<b>Capital and reserves</b>					
Called up share capital	17		53,633		53,633
Share premium account	18		13,094		13,094
Profit and loss account	18		<u>63,844</u>		<u>31,147</u>
<b>Equity shareholder's funds</b>	19		<u>130,571</u>		<u>97,874</u>

Following the company's adoption of FRS 17 as the basis of accounting for pensions, total net assets at 2 April 2005 have been restated. The restated value of total net assets of £97,874,000 was previously stated as £150,513,000.

Signed on behalf of the board of directors

  
M Allkins  
12 July 2006

  
P Coackley

**1. Accounting policies**

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding financial year except where stated under the "change in accounting policies" heading. The financial year covers the 52 weeks ended 1 April 2006. Comparative figures are as shown for the 53 weeks ended 2 April 2005.

**Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and consistently applied throughout the year.

The company has taken advantage of the exemption under s228 of the Companies Act 1985 from the requirement to prepare consolidated accounts this year. These financial statements present information about the company as an individual undertaking and not about its group.

**Change in accounting policies**

The company has adopted FRS 17 "Retirement Benefits" in these financial statements. The adoption of this standard represents a change in accounting policy and requires a restatement of comparative figures. The method of accounting for pensions under FRS 17 is included under the "pension costs" heading below.

**Turnover**

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

**Tangible fixed assets**

Tangible fixed assets are included at cost, less accumulated depreciation. Freehold land is not depreciated. Depreciation is charged on a straight-line basis over the following periods:

Freehold buildings	-	50 years
Fixed equipment in freehold buildings	-	up to 20 years
Leasehold improvements	-	the shorter of 35 years and the period of the lease
Fixtures, fittings and equipment	-	3 to 10 years

**Investments**

The company's investments in subsidiary undertakings are stated at cost less provisions for impairment. Dividends receivable are credited to the company's 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 acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

**1. Accounting policies (continued)**

**Taxation**

The charge on taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors' consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

**Pension costs**

The operating and financing costs of pensions are charged to the profit and loss in the period in which they arise and are recognised separately. The costs of past service benefit enhancement, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

**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 operating profit from retail operations.

**Cashflow statement**

The company has taken advantage of the exemption in FRS 1 (Revised) from the requirement to produce a cashflow statement as it is a wholly owned subsidiary undertaking of a company registered in England & Wales which has prepared consolidated accounts which include the subsidiary undertakings.

**Related party transactions**

As a subsidiary of Bhs Group Limited, whose accounts are publicly available, the company has taken advantage of the exemption granted by FRS 8 not to disclose transactions with the other Bhs Group companies.

**BHS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. Segment information**

The company carries on a single class of business, being retailing of clothing and household goods, predominantly within the UK.

**3. Other interest receivable and similar income**

	2006 £000	2005 (restated) £000
Bank interest receivable	1,291	2,738
Other sundry income	93	162
Other finance income (see note 7)	1,500	2,579
Dividends receivable (see note 9)	<u>948</u>	<u>-</u>
	<u>3,832</u>	<u>5,479</u>

**4. Interest payable and similar charges**

	2006 £000	2005 £000
Bank loans and overdrafts	11	-
Other loans	4,369	6,462
Other interest payable	115	144
Finance leases	<u>197</u>	<u>27</u>
	<u>4,692</u>	<u>6,633</u>

**5. Profit on ordinary activities before taxation**

	2006 £000	2005 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of owned assets	39,591	41,349
Depreciation of leased assets	1,458	594
Profit on disposal of fixed assets	-	(497)
Operating lease rentals - plant and equipment	5,176	5,123
- land and buildings	110,681	101,470
Auditor's remuneration - for audit services	73	61
- for tax services	17	33
- for other services	<u>21</u>	<u>61</u>

## 6. Staff costs

## Employees

	2006 £000	2005 £000
Wages and salaries	118,226	108,369
Social security costs	6,972	6,337
Other pension costs	<u>12,355</u>	<u>12,050</u>
	<u>137,553</u>	<u>126,756</u>
	2006 Number	2005 Number
UK stores - Full-time	2,995	2,952
- Part-time	10,626	10,857
UK head office	<u>766</u>	<u>704</u>
	<u>14,387</u>	<u>14,513</u>

## Directors' emoluments

	2006 £000	2005 £000
Emoluments	970	989
Company contributions to money purchase pension schemes	<u>61</u>	<u>68</u>
Total emoluments	<u>1,031</u>	<u>1,057</u>

The value of transactions with Going Plural Limited, who provide the services of A Leighton, in the year amounted to £192,000 (2005: £200,000), which is included in the disclosure above.

## Pensions

The number of directors who were members of pension schemes were as follows:

	2006 Number	2005 Number
Money purchase schemes	<u>2</u>	<u>2</u>
Defined benefit schemes	<u>2</u>	<u>2</u>

**BHS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Staff costs (continued)**

**Highest paid director**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>564</u>	<u>576</u>

The highest paid director was a member of the company defined benefit pension scheme and a member of a separate money purchase scheme. At the year end the accrued pension was £21,000 (2005: £17,000) per annum and the accrued lump sum was £183,000 (2005: £136,000).

**7. Pension costs**

The company has adopted FRS 17 "Retirement Benefits" in full for the year ended 1 April 2006. For the year ended 2 April 2005, the group accounted for retirement benefits under SSAP 24 and gave disclosures under the FRS 17 transitional arrangements.

The company operates two defined benefit schemes for its employees. The valuation used has been based on the most recent actuarial valuations at 31 March 2003 and updated by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 1 April 2006. The contribution made by the group amounted to 11.3% of pensionable pay and it has been agreed that contributions will remain at this level until the results of the triennial valuation are confirmed by the actuary.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	<b>1 April</b>	<b>2 April</b>	<b>27 March</b>
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	4.8	4.9	4.9
Rate of increase of pensions in payment	2.8	2.9	2.9
Rate of increase of deferred pensions	2.8	2.9	2.9
Discount rate	5.0	5.4	5.5
Inflation assumption	2.8	2.9	2.9

## 7. Pension costs (continued)

The assets in the scheme and the expected rate of return were:

	Long term expected rate of return %	Value at 1 April 2006 £m	Long term expected rate of return %	Value at 2 April 2005 £m	Long term expected rate of return %	Value at 29 March 2004 £m
Equities	7.8	214.1	8.1	173.4	8.5	192.1
Bonds	4.9	86.5	5.4	79.9	5.4	62.3
Gilts	4.3	34.1	4.7	31.7	7.5	17.1
Property	6.7	96.4	7.0	74.4	7.5	49.0
Other	3.9	<u>6.2</u>	3.9	<u>8.7</u>	3.9	<u>11.8</u>
Total market value of assets		437.3		368.1		332.3
Present value of scheme liabilities		<u>(507.0)</u>		<u>(442.8)</u>		<u>(413.1)</u>
Deficit in the scheme		(69.7)		(74.7)		(80.8)
Related deferred tax asset		<u>20.9</u>		<u>22.4</u>		<u>24.2</u>
<b>Net pension liability</b>		<u><b>(48.8)</b></u>		<u><b>(52.3)</b></u>		<u><b>(56.6)</b></u>

An analysis of the amounts charged to operating profit is as follows:

	1 April 2006 £m	2 April (restated) 2005 £m
Current service cost	(12.3)	(12.0)
Past service cost	—	—
<b>Total operating charge</b>	<u><b>(12.3)</b></u>	<u><b>(12.0)</b></u>

An analysis of the amount credited to other finance income is as follows:

	1 April 2006 £m	2 April (restated) 2005 £m
Expected return on pension scheme assets	25.0	24.9
Interest cost	<u>(23.5)</u>	<u>(22.3)</u>
<b>Net return</b>	<u><b>1.5</b></u>	<u><b>2.6</b></u>

## 7. Pension costs (continued)

An analysis of amounts which are recognised in the Statement of total recognised gains and losses (STRGL) is as follows:

	1 April 2006 £m	2 April (restated) 2005 £m
Annual return less expected return on pension scheme assets	50.6	16.2
Experience (losses)/gains arising on scheme liabilities	(10.6)	3.1
Changes in financial assumptions underlying the scheme liabilities	(29.8)	(9.3)
Actual gain recognised in STRGL	<u>10.2</u>	<u>10.0</u>

An analysis of the movement in the pension liability is as follows:

	2006 £000	2005 (restated) £000
At 2 April 2005 (restated)	(74,732)	(80,816)
Service costs	(12,300)	(12,049)
Other finance income	1,500	2,579
Contributions	5,600	5,514
Actuarial gain	<u>10,232</u>	<u>10,040</u>
At 1 April 2006	(69,700)	(74,732)
Related deferred taxation	<u>20,910</u>	<u>22,420</u>
Net pension liability	<u>(48,790)</u>	<u>(52,312)</u>

## History of amounts recognised in STRGL

	1 April 2006 £m	2 April 2005 £m	27 March 2004 £m
Actual return less expected return on scheme assets	50.6	16.2	39.3
Percentage of scheme assets	12%	4%	12%
Experience (losses)/gains arising on scheme liabilities	(10.6)	3.1	(14.1)
Percentage of scheme liabilities	2%	(1)%	3%
Total amount recognised in STRGL	10.2	10.0	(0.7)
Percentage of scheme liabilities	2%	2%	0%



## 8. Taxation

	2006 £000	2005 (restated) £000
<b>a) Analysis of tax charge in the year</b>		
<b>UK corporation tax</b>		
On profit for the year	11,105	31,427
Adjustment in respect of the previous year	(61)	(43)
<b>Foreign tax</b>		
On profit for the year	<u>(150)</u>	<u>150</u>
<b>Total current tax</b>	10,894	31,534
<b>UK deferred tax</b>		
Origination and reversal of timing differences	(5,462)	(4,782)
<b>Tax on profit on ordinary activities</b>	<u>5,432</u>	<u>26,752</u>

**b) Factors affecting tax charge for the year**

The tax assessed for the year is greater than the standard rate of UK corporation tax of 30%. The differences are explained below:

	2006 £000	2005 (restated) £000
Profit on ordinary activities before tax	<u>30,019</u>	<u>87,541</u>
Profit on ordinary activities before standard rate of UK corporation tax multiplied by 30%	9,006	26,262
<b>Effects of:</b>		
Accounting depreciation in excess of tax depreciation	3,947	3,955
Costs not deductible for tax purposes	1,343	1,256
Other tax adjustments	(221)	(162)
Adjustments in respect of pension liabilities	1,560	1,285
Utilisation of tax losses	(4,680)	(1,019)
Adjustments relating to prior years corporation tax	<u>(61)</u>	<u>(43)</u>
<b>Total current tax</b>	<u>10,894</u>	<u>31,534</u>

**c) Factors that may affect future tax charges**

The company has unrelieved capital losses of £514,000 at the year end. As there is no current expectation of future disposals and hence possible capital gains against which the losses may be offset, no deferred tax assets have been recognised in respect of these losses.

**BHS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Dividends**

	<b>2006 £000</b>	<b>2005 £000</b>
Dividend received of £948,070 (2005: £nil)	<u>948</u>	<u>-</u>

**10. Tangible fixed assets**

	<b>Properties including fixed equipment</b>			<b>Fixtures, fittings &amp; equipment*</b>	<b>Total</b>
	<b>Freehold £000</b>	<b>Long leasehold £000</b>	<b>Short leasehold £000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>					
As at 2 April 2005	8,407	193,488	124,673	434,183	760,751
Additions	7,817	1,488	14,312	23,892	47,509
Intergroup transfers	-	-	(272)	(30)	(302)
Transfer	(188)	1,327	(1,139)	-	-
Disposals	<u>-</u>	<u>(240)</u>	<u>(486)</u>	<u>(2,063)</u>	<u>(2,789)</u>
As at 1 April 2006	<u>16,036</u>	<u>196,063</u>	<u>137,088</u>	<u>455,982</u>	<u>805,169</u>
<b>Depreciation</b>					
As at 2 April 2005	1,462	82,502	43,554	353,457	480,975
Charge	243	5,456	5,125	30,225	41,049
Intergroup transfers	-	-	(11)	(2)	(13)
Transfer	(34)	507	(473)	-	-
Disposals	<u>-</u>	<u>(112)</u>	<u>(247)</u>	<u>(1,801)</u>	<u>(2,160)</u>
As at 1 April 2006	<u>1,671</u>	<u>88,353</u>	<u>47,948</u>	<u>381,879</u>	<u>519,851</u>
<b>Net book value</b>					
At 1 April 2006	<u>14,365</u>	<u>107,710</u>	<u>89,140</u>	<u>74,103</u>	<u>285,318</u>
At 2 April 2005	<u>6,945</u>	<u>110,986</u>	<u>81,119</u>	<u>80,726</u>	<u>279,776</u>

\* Includes construction in progress with costs of £3,817,000 (2005: £1,444,000).

Freehold properties includes £3,387,000 (2005: £1,386,000) of freehold land which is not depreciated.

Included in fixtures, fitting and equipment are assets held under finance lease agreements, with a net book value of £7,736,000 at 1 April 2006 (2005: £2,410,000). Depreciation charged during the year in respect of these assets amounted to £1,458,000 (2005: £594,000).

**BHS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11. Investments**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
As at 1 April 2006	<u>1,600</u>	<u>1,600</u>

The parent company has investments in the following subsidiary undertakings:

<b>Company</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Holding</b>	<b>%</b>
Bhs (Jersey) Limited*	Jersey	Retailing	Ordinary shares	100
Bhs Services Limited*	England & Wales	Inactive	Ordinary shares	100
Bhs (Hong Kong) Limited*	Hong Kong	Inactive	Ordinary shares	100
Epoch Properties Limited**	Jersey	Property Investment	Ordinary shares	100
PS Supplies Limited*	England & Wales	Wholesale	Ordinary shares	100
The Dailybake Limited*	England & Wales	Food Services	Ordinary Shares	10

\* held directly by Bhs limited

\*\* held directly by subsidiary undertakings

On 23 August 2005 Bhs (Jersey) Limited acquired a property investment company, Epoch Properties Limited, with share capital of £2.

On 13 September 2005 Bhs Limited acquired 50,000 ordinary £1 shares in The Dailybake Limited, equivalent to a 10% holding.

On 10 October 2005 Bhs Limited acquired a wholesale company, PS Supplies Limited, with share capital of £1.

On 29 September 2005 an investment company, Willow Asset Management Unlimited, was dissolved.

During the year Bhs Services Limited became dormant.

**12. Stocks**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Goods for resale	<u>71,695</u>	<u>78,785</u>

**BHS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Debtors**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
Trade debtors	9,328	5,497
Other debtors	187	181
Prepayments and accrued income	<u>26,084</u>	<u>25,723</u>
	<u>35,599</u>	<u>31,401</u>

**14. Creditors: amounts falling due within one year**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Bank loan and overdraft	9,844	-
Trade creditors	40,251	40,998
Amounts owed to parent company	68,713	113,344
Amounts owed to group undertakings	8,881	49,885
Taxation and social security	10,403	22,599
Other creditors	7,395	7,825
Accruals and deferred income	27,568	23,318
Landlords' contributions	2,798	1,832
Obligations under finance leases	<u>1,109</u>	<u>163</u>
	<u>167,962</u>	<u>259,964</u>

**15. Creditors: amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Landlords' contributions	6,481	3,583
Obligations under finance leases	<u>6,280</u>	<u>1,106</u>
	<u>12,761</u>	<u>4,689</u>

## 16. Provisions for liabilities and charges

	Deferred tax £000	Other provisions £000	Total £000
As at 2 April 2005	31,887	6,731	38,618
Charge for the year	-	1,532	1,532
Release for the year	(3,902)	(860)	(4,762)
Utilised during the year	<u>-</u>	<u>(1,260)</u>	<u>(1,260)</u>
As at 1 April 2006	<u>27,985</u>	<u>6,143</u>	<u>34,128</u>

## Deferred taxation

	2006 £000	2005 (restated) £000
Provision in respect of:		
Capital allowances	28,336	32,216
Other timing differences	<u>(351)</u>	<u>(329)</u>
	<u>27,985</u>	<u>31,887</u>

The company had an unrecognised deferred tax asset of £154,000 (2005: £154,000) at year end.

## Other provisions

	Store closure £000	Other £000	Total £000
As at 2 April 2005	3,875	2,856	6,731
Charge for the year	87	1,445	1,532
Release for the year	(190)	(670)	(860)
Utilised during the year	<u>(175)</u>	<u>(1,085)</u>	<u>(1,260)</u>
As at 1 April 2006	<u>3,597</u>	<u>2,546</u>	<u>6,143</u>

The store closure provision of £3,597,000 (2005: £3,875,000) includes estimated costs of £3,402,000 (2005: £3,582,000) for future lease obligations and £195,000 (2005: £293,000) of other costs relating to the disposal of one retail store and a non-operating lease.

Other provisions relate to discounted onerous lease provisions of £1,827,000 (2005: £1,895,000), a provision for dilapidations of £76,000 (2005: £327,000) and sales returns provision of £643,000 (2005: £634,000).

**BHS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Share capital**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
241,600,000 ordinary shares of 25 pence each	<u>60,400</u>	<u>60,400</u>
<b>Allotted, called up and fully paid</b>		
214,530,881 ordinary shares of 25 pence each	<u>53,633</u>	<u>53,633</u>

**18. Reserves**

		<b>£000</b>
<b>Share premium account</b>		
As at 2 April 2005 and 1 April 2006		<u>13,094</u>
	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
<b>Profit and loss account</b>		
As at 2 April 2005 - as previously stated	31,147	19,901
Prior year adjustment		
- pension liability	-	(80,816)
- deferred taxation on pension liability	-	<u>24,245</u>
Restated opening profit and loss reserve	31,147	(36,670)
Profit for the year (restated)	25,535	60,789
Actuarial gain for the year	10,232	10,040
Deferred tax on actuarial gain	<u>(3,070)</u>	<u>(3,012)</u>
Total profit and loss account	<u>63,844</u>	<u>31,147</u>

**19. Reconciliation of movements in shareholder's funds**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
Opening shareholders' funds	97,874	86,628
Prior year adjustment	-	<u>(56,571)</u>
Opening shareholders' funds (restated)	97,874	30,057
Retained profit for the financial year	25,535	60,789
Other recognised gains and losses	<u>7,162</u>	<u>7,028</u>
Closing shareholders' funds	<u>130,571</u>	<u>97,874</u>

**20. Financial commitments****Operating leases**

The company leases certain land and buildings on short and long term leases. The rents payable on these leases are subject to negotiation at various intervals specified in the leases.

Annual commitments under non-cancellable operating leases are as follows:

	<b>2006</b>		<b>2005</b>	
	<b>Land &amp; buildings £000</b>	<b>Other £000</b>	<b>Land &amp; buildings £000</b>	<b>Other £000</b>
Operating leases which expire:				
within 1 year	446	393	651	552
within 2-5 years inclusive	441	3,766	285	3,986
after 5 years	<u>111,121</u>	<u>352</u>	<u>107,866</u>	<u>164</u>
	<u>112,008</u>	<u>4,511</u>	<u>108,802</u>	<u>4,702</u>

**Finance leases**

The future minimum lease payments to which the company is committed at 1 April 2006 under finance leases are as follows:

	<b>2006 £000</b>	<b>2005 £000</b>
Within one year	1,109	163
Within two to five years inclusive	4,852	689
After five years	<u>1,428</u>	<u>417</u>
	<u>7,389</u>	<u>1,269</u>

**Capital commitments**

	<b>2006 £000</b>	<b>2005 £000</b>
Contracted for but not provided for	<u>9,153</u>	<u>7,561</u>

**Guarantees**

Under a group banking arrangement the company is included in a cross guarantee agreement with other Bhs Group companies. The company is also included within the Bhs Group VAT registration.

Bhs Limited is a guarantor for a bank loan held by its parent company, Bhs Group Limited.

**21. Ultimate controlling party**

C S Green and her immediate family are the ultimate controlling party of Bhs Limited. The smallest and largest group of undertakings for which the company is a member and for which group accounts are prepared is Bhs Group Limited of Marylebone House, 129-137 Marylebone Road, London, NW1 5QD.

**22. Related party transactions**

A Leighton, a director of Bhs Limited, is also a director of Going Plural Limited, a company in which he has a controlling interest. During the year Bhs Limited paid £184,000 to Going Plural Limited for the services of A Leighton (2005: £200,000). The company owes £8,000 (2005: £nil) to Going Plural Limited at the year end.

Bhs Limited rents properties from Carmen Properties Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of these properties in the year amounted to £12,812,000 (2005: £12,154,000). There were no amounts due to or from Carmen Properties Limited at the year end (2005: £nil).

Bhs Limited rents a property from Mildenhall Holdings Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of this property in the year amounted to £500,000 (2005: £12,000). The group owes £nil (2005: £12,000) to Mildenhall Holdings Limited at the year end.

Arcadia Group Limited is under the same ultimate control as Bhs Group Limited. Bhs Limited invoiced Arcadia Group Limited £971,000 (2005: £1,370,000) relating to the services of certain Bhs Limited and Bhs Group Limited directors and employees to Arcadia Group Limited and the provision of certain restaurant services to Arcadia Group Limited. Arcadia Group Limited invoiced Bhs Limited £2,813,000 (2005: £4,315,000) relating principally to the provision of certain sourcing activities. At the year end Arcadia Group Limited owes Bhs Group Limited £221,000 (2005: creditor of £62,000).