

Bhs Limited

Report and financial statements  
for the year ended  
28 August 2010

Company registered number 00229606

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**Bhs Limited (registered no. 00229606)**

## **Directors' report for the year ended 28 August 2010**

The directors present their report together with the audited financial statements of the Company for the year ended 28 August 2010

### **Principal activity**

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

### **Business review**

At the year end the Company was a wholly owned subsidiary of Taveta Investments Limited and a review of the group's businesses during the year and its position at 28 August 2010 is given on page 1 to the financial statements of that company

The results of the Company for the year are set out in the profit and loss account on page 4. During the year, the operating loss amounted to £6,225,000 (74 weeks ended 29 August 2009 £56,330,000) and the loss before taxation amounted to £7,238,000 (74 weeks ended 29 August 2009 £62,109,000)

### **Management and reporting of risks and Key Performance Indicators (KPIs)**

The directors of Taveta Investments Limited manage the Company's risks and those of its fellow subsidiaries at a group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory company level.

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position.

The KPIs used by the group and the principal business risks it faces, are discussed on page 1 of Taveta Investments Limited's annual report which does not form part of this report.

### **Directors**

The Company's directors are

P Budge	(appointed 24 September 2009)
C Coles	
I Grabiner	(appointed 24 September 2009)
Sir P Green	
C Harris	(appointed 14 September 2009)

P Coackley resigned as a director of the Company on 30 April 2010

### **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. The Bhs group is an equal opportunities employer, recruiting employees on the basis of suitability for the job and on no other grounds.

## **Bhs Limited**

### **Directors' report for the year ended 28 August 2010 (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**

During 2009 the Company donated £2,000 (2010 £nil) to charitable causes.

#### **Statement of directors' responsibilities**

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

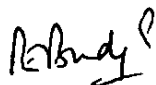
#### **Statement of disclosure of information to auditors**

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

#### **Independent auditors**

The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 487 of the Companies Act 2006.

On behalf of the Board



**P Budge**

Director

28 February 2011

# Bhs Limited

## Independent auditors' report to the members of Bhs Limited

We have audited the financial statements of Bhs Limited for the year ended 28 August 2010 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 28 August 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Steve Denison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

28 February 2011

## Bhs Limited

### Profit and loss account for the year ended 28 August 2010

	Note	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Turnover		794,883	1,121,045
Cost of sales		(743,437)	(1,138,177)
<b>Gross profit / (loss)</b>		<b>51,446</b>	<b>(17,132)</b>
Administrative expenses	6	(57,671)	(4,862)
Distribution costs	6	-	(34,336)
<b>Operating loss</b>	3	<b>(6,225)</b>	<b>(56,330)</b>
Impairment of fixed assets		-	(9,315)
<b>Loss on ordinary activities before interest and taxation</b>		<b>(6,225)</b>	<b>(65,645)</b>
Interest receivable and similar income	4	25	2,145
Interest payable and similar charges	5	(338)	(3,409)
Other finance (costs) / income	8	(700)	4,800
<b>Loss on ordinary activities before taxation</b>	6	<b>(7,238)</b>	<b>(62,109)</b>
Taxation	9	242	87
<b>Sustained loss for the year / period</b>	18	<b>(6,996)</b>	<b>(62,022)</b>

All of the results above relate to continuing activities

There is no difference between the results disclosed above and the results on an unmodified historical cost basis

### Statement of total recognised gains and losses for the year ended 28 August 2010

	Note	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Sustained loss for the year / period	18	(6,996)	(62,022)
Actuarial loss	8	(26,900)	(159,400)
Deferred tax on actuarial loss		5,914	44,632
<b>Total recognised losses for the year / period</b>		<b>(27,982)</b>	<b>(176,790)</b>

## Bhs Limited

### Balance sheet as at 28 August 2010

	Note	2010 £000	2009 £000
<b>Fixed assets</b>			
Tangible assets	10	267,348	280,585
Investments	11	1,600	1,600
		<b>268,948</b>	<b>282,185</b>
<b>Current assets</b>			
Stocks	12	60,720	77,980
Debtors	13	34,081	47,001
Cash at bank and in hand		7,625	4,480
		<b>102,426</b>	<b>129,461</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(198,818)</b>	<b>(217,934)</b>
<b>Net current liabilities</b>		<b>(96,392)</b>	<b>(88,473)</b>
<b>Total assets less current liabilities</b>		<b>172,556</b>	<b>193,712</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(8,585)</b>	<b>(12,585)</b>
<b>Provisions for liabilities and charges</b>			
Deferred tax	16	(23,273)	(24,355)
Other provisions	16	(20,045)	(26,983)
		<b>(43,318)</b>	<b>(51,338)</b>
<b>Net assets before pension deficit</b>		<b>120,653</b>	<b>129,789</b>
<b>Pension deficit</b>	8	<b>(118,134)</b>	<b>(99,288)</b>
<b>Net assets</b>		<b>2,519</b>	<b>30,501</b>
<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	(64,208)	(36,226)
<b>Equity shareholders' funds</b>	18	<b>2,519</b>	<b>30,501</b>

The financial statements on pages 4 to 21 were approved by the board of directors on 28 February 2011 and were signed on its behalf by



**P Budge**  
Director

## **Bhs Limited**

### **Notes to the financial statements for the year ended 28 August 2010**

#### **1 Accounting policies**

##### **Accounting convention**

The financial statements are drawn up on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards, which have been consistently applied

The principal accounting policies are summarised in the following paragraphs

##### **Turnover**

Turnover comprises the value of sales of all merchandise to third parties, including concession income, and excludes value added tax. Sales to franchisees and internet customers are recognised on despatch of the goods, and in the case of internet business include charges levied on customers for postage and packaging

##### **Tangible fixed assets**

Tangible fixed assets are included at cost less accumulated depreciation. Fixed asset values are reviewed for impairment in accordance with FRS 11. Impairment of fixed assets and goodwill. Freehold land is not depreciated. Depreciation on other fixed assets 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 investment in its subsidiary undertakings is stated at cost less provisions for impairment

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value and represent goods for resale. Cost represents actual purchase price and includes the direct costs of warehousing and transportation to the stores

##### **Leased assets**

Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of their estimated useful economic lives and the period of the lease. Rentals are apportioned between reductions in the capital obligations included within creditors and finance charges which are charged to the profit and loss account at a constant effective rate of interest

Rentals payable under operating leases are charged to the profit and loss account as incurred except where incentives to sign the leases have been received. Such incentives are spread on a straight-line basis over the lease term, or if shorter, the period to the next open market rent review date

Where the Company is committed to disposing of a leasehold property, provision is made for the expected direct costs of disposal, together with any net cash outflows under the lease during the period prior to disposal. The Company also provides for the unavoidable costs of vacant properties and, where properties are sub-let, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements

These provisions are not discounted and unwind upon the earlier of lease expiry and disposal

**Notes to the financial statements for the year ended 28 August 2010 (continued)**

**1 Accounting policies (continued)**

**Taxation**

The taxation charge is based on the loss for the period 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

**Post retirement benefits**

The Company operates a couple of defined benefit schemes under which contributions are paid by the Company to provide pension and other benefits expressed in terms of a percentage of pensionable salary. The amounts charged to operating profit, as part of employee costs, are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance income or costs.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the schemes' liabilities. Actuarial valuations are obtained triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

The Company also operates a defined contribution scheme for eligible staff. For this scheme, the charge to the profit and loss account is the contributions payable during the period.

**Foreign currency**

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the rates ruling at each balance sheet date. Resulting exchange gains or losses are included in the operating profit/loss.

**Cashflow statement**

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement, as the Company's cash flows are included within the consolidated cash flow statement of Taveta Investments Limited.

**2 Segment information**

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



# Bhs Limited

## Notes to the financial statements for the year ended 28 August 2010 (continued)

### 3 Exceptional items

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Restructuring costs including redundancies	-	10,108
Additional provision against a vacant property	-	2,858
Additional stock provision	-	4,738
Charges connected with the group's change of ownership		
<i>Professional fees</i>	-	189
<i>Change in accounting estimates</i>	-	4,644
<b>Exceptional items charged in arriving at operating loss</b>	-	22,537
Impairment of fixed assets	-	9,315
<b>Total exceptional items</b>	-	31,852

During 2009, a tax credit of £4,445,000 was recognised in respect of the exceptional items arising during that period

### 4 Interest receivable and similar income

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Bank interest receivable	-	1
Interest receivable on loans to group undertakings	-	2,006
Other interest receivable	25	138
	<b>25</b>	<b>2,145</b>

### 5 Interest payable and similar charges

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
<b>Interest payable on</b>		
Bank loans and overdrafts	118	95
Loans from group undertakings	-	2,798
Other interest payable	-	62
Finance leases	220	454
	<b>338</b>	<b>3,409</b>

# Bhs Limited

## Notes to the financial statements for the year ended 28 August 2010 (continued)

### 6 Loss on ordinary activities before taxation

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of owned assets	30,653	45,152
Depreciation of leased assets	1,747	2,469
Operating lease rentals - plant and equipment	2,639	5,735
- land and buildings	131,838	175,780
Management charge from Arcadia Group Limited (refer below)	56,771	-
Fees payable to the Company's auditors for the audit of these financial statements pursuant to legislation	-	83
Fees payable to the Company's auditors for other services, pursuant to legislation	-	105

Prior to its acquisition by Taveta Investments Limited in 2009, the Company incurred distribution costs and administrative expenses (including auditors' remuneration) in its own right. Subsequently, the cost of these services, together with certain other functions which were previously included in cost of sales, have been borne by Arcadia Group Limited on the Company's behalf. Arcadia Group Limited levies a management charge in respect of the services it provides, which is included within administrative expenses.

### 7 Staff costs

#### Employees

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Wages and salaries	118,783	182,780
Social security costs	7,412	9,962
Pension charge / (credit)	2,136	(2,098)
	128,331	190,644

	Year ended 28 August 2010	74 weeks ended 29 August 2009
<b>Average monthly number of employees</b>		
UK stores - Full-time	2,432	2,856
- Part-time	9,412	10,923
UK head office	613	702
	12,457	14,481

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 7 Staff costs (continued)

##### Directors' emoluments

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Aggregate emoluments	239	1,206

Directors' emoluments during 2009 included £150,000 of compensation for loss of office

##### Pensions

The number of directors, at the year end, who were members of the Company's pension schemes was as follows

	Year ended 28 August 2010	74 weeks ended 29 August 2009
Defined benefit schemes	-	1

##### Highest paid director

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
Emoluments	239	701

At the year end none of the directors had accrued an annual pension as a result of their membership of the Company's defined benefit schemes (74 weeks ended 29 August 2009 accrued annual pension £51,000 and lump sum of £524,000)

#### 8 Pension commitments

The Company administers two funded defined benefit schemes for the benefit of its current and former employees. These schemes previously provided retirement benefits based on members' final salary and have been closed to new entrants for a number of years. With effect from 15 August 2009 members ceased to accrue future benefits within these schemes and instead were given the opportunity to join the Company's defined contribution scheme.

##### Contributions

During the year ended 28 August 2010, the Company contributed £4,580,000 to help repair the past service funding deficits identified during the schemes latest actuarial valuations, as at 31 March 2009. For the year ending 27 August 2011, this level of contribution will increase to £5,500,000.

Contributions totalling £1,236,000 (74 weeks ended 29 August 2009 £502,000) were made to the defined contribution scheme during the year.

# Bhs Limited

## Notes to the financial statements for the year ended 28 August 2010 (continued)

### 8 Pension commitments (continued)

#### Defined benefit schemes

An actuarial valuation was carried out as at 28 August 2010, using the projected unit method, by Towers Watson Limited, professionally qualified actuaries. The principal assumptions made by the actuaries were

	% per annum		
	28 August 2010	29 August 2009	29 March 2008
Rate of increase in salaries			
- Main scheme	n/a	n/a	5.0
- Senior managers scheme	n/a	n/a	4.5
Rate of increase in pensions in payment			
- Pre 1 January 2006 service	2.9	3.0	3.5
- Post 1 January 2006 service	2.1	2.2	2.5
Rate of revaluation of deferred pensions in excess of GMP	3.0	3.1	3.5
Discount rate	4.9	5.4	6.9
Inflation	3.0	3.1	3.5

The mortality assumptions used were

	28 August 2010		29 August 2009	
	Staff scheme	Senior managers scheme	Staff scheme	Senior managers scheme
	Years	Years	Years	Years
Life expectancy of current pensioner aged 60				
- Men	83.7	87.8	83.7	87.8
- Women	85.9	88.4	85.9	88.4
Life expectancy of future pensioner aged 45				
- Men	85.9	90.0	85.9	90.0
- Women	87.3	90.0	87.3	90.0

**Notes to the financial statements for the year ended 28 August 2010 (continued)**

**8 Pension commitments (continued)**

The net pension deficit recognised in the balance sheet, together with a reconciliation of the movements on the fair value of the schemes' assets and the present value of their liabilities, is set out below

	28 August 2010		29 August 2009	
	£m	% of total assets	£m	% of total assets
Equities	188 0	44 0	172 7	43 8
Bonds	136 5	32 0	114 0	28 9
Gilts	14 7	3 4	20 9	5 3
Property	69 4	16.3	68 6	17 4
Other	18 3	4 3	18 3	4 6
Total market value of assets	426 9		394 5	
Present value of scheme liabilities	(588 7)		(532 4)	
Deficit in the schemes	(161 8)		(137 9)	
Related deferred tax asset	43.7		38 6	
<b>Net pension deficit recognised</b>	<b>(118 1)</b>		<b>(99 3)</b>	

The long term expected return on assets assumption for the year beginning 29 August 2010 is 6.3% pa (2009 7.1%) These assumptions have been set after consultation with the schemes' investment consultants based on the expected returns on the schemes' current asset allocations, having regard to the yields on corporate bonds and gilts and allowing for the expected out-performance of the property and equity portfolios over gilts

	Year ended 28 August 2010 £m	74 weeks ended 29 August 2009 £m
<b>Reconciliation of the fair value of the schemes' assets</b>		
Opening fair value	394.5	432 2
Expected return on scheme assets	27.5	45 8
Actuarial gain / (loss) on scheme assets	20 4	(68 0)
Employer contributions	4.6	10 7
Member contributions	-	1 0
Administrative expenses paid	(0 9)	-
Net benefits paid out	(19 2)	(27 2)
<b>Closing fair value</b>	<b>426 9</b>	<b>394 5</b>

The schemes' assets returned a gain of £47.9m (74 weeks ended 29 August 2009 £22.2m loss) during the year. The schemes do not invest in any of the Company's financial instruments or any properties occupied by the Company.

# Bhs Limited

## Notes to the financial statements for the year ended 28 August 2010 (continued)

### 8 Pension commitments (continued)

	Year ended 28 August 2010 £m	74 weeks ended 29 August 2009 £m
<b>Reconciliation of the present value of the schemes' liabilities</b>		
Opening present value	532.4	428.8
Current service cost	0.9	9.5
Interest cost	28.2	41.0
Member contributions	-	1.0
Actuarial loss on scheme liabilities	47.3	91.4
Administrative expenses paid	(0.9)	-
Net benefits paid out	(19.2)	(27.2)
Gain on curtailment	-	(12.1)
<b>Closing present value</b>	<b>588.7</b>	<b>532.4</b>

The amount (charged) / credited to the profit and loss account in respect of the Company's defined benefit schemes, together with the amount recognised in the statement of total recognised gains and losses is analysed below

	Year ended 28 August 2010 £m	74 weeks ended 29 August 2009 £m
<b>Analysis of amount (charged) / credited to operating loss</b>		
Current service cost	(0.9)	(9.5)
Gain on curtailment	-	12.1
<b>Total operating (charge) / credit</b>	<b>(0.9)</b>	<b>2.6</b>

The above operating (charge) / credit is included within administrative expenses

	Year ended 28 August 2010 £m	74 weeks ended 29 August 2009 £m
<b>Analysis of amount (charged) / credited to other finance (costs) / income</b>		
Expected return on scheme assets	27.5	45.8
Interest on scheme liabilities	(28.2)	(41.0)
<b>Net (cost) / return</b>	<b>(0.7)</b>	<b>4.8</b>

# Bhs Limited

## Notes to the financial statements for the year ended 28 August 2010 (continued)

### 8 Pension commitments (continued)

	Year ended 28 August 2010 £m	74 weeks ended 29 August 2009 £m
<b>Analysis of amount recognised in the statement of total recognised gains and losses</b>		
Actual return less expected return on the schemes' assets	20.4	(68.0)
Experience gains and losses arising on the schemes' liabilities	(1.5)	4.7
Changes in assumptions underlying the present value of the schemes' liabilities	(45.8)	(96.1)
<b>Actuarial loss recognised in the statement of total recognised gains and losses</b>	<b>(26.9)</b>	<b>(159.4)</b>

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 2004 is £95.7m (2009 £68.8m)

	28 August 2010 £m	29 August 2009 £m	29 March 2008 £m	31 March 2007 £m	1 April 2006 £m
<b>History of the schemes' (deficits) / surpluses</b>					
Fair value of the schemes' assets	426.9	394.5	432.2	461.5	437.3
Present value of the schemes' liabilities	(588.7)	(532.4)	(428.8)	(493.7)	(507.0)
<b>(Deficit) / surplus</b>	<b>(161.8)</b>	<b>(137.9)</b>	<b>3.4</b>	<b>(32.2)</b>	<b>(69.7)</b>

	28 August 2010	29 August 2009	29 March 2008	31 March 2007	1 April 2006
<b>History of amounts recognised in the STRGL</b>					
Actual return less expected return on scheme assets (£m)	20.4	(68.0)	(48.8)	2.0	50.6
Percentage of scheme assets (%)	4.8	(17.2)	(11.3)	0.4	11.6
Experience (losses)/gains on scheme liabilities (£m)	(1.5)	4.7	(5.3)	3.7	(10.6)
Percentage of scheme liabilities (%)	(0.3)	0.9	(1.2)	0.7	(2.1)
Total amount recognised in STRGL (£m)	(26.9)	(159.4)	32.9	38.2	10.2
Percentage of scheme liabilities (%)	(4.6)	(29.9)	7.7	7.7	2.0

#### Total pension charge

The Company's total pension charge, including other finance costs, for the year ended 28 August 2010 was £2,836,000 (74 weeks ended 29 August 2009 £6,898,000 credit)

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 9 Taxation

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
<b>a) Analysis of the tax credit for the year / period</b>		
<b>UK corporation tax at 28% (2009. 28%)</b>		
Current year / period	-	5,270
<b>Total current tax (note 9b)</b>	-	5,270
<b>Deferred taxation</b>		
Deferred taxation – origination and reversal of timing differences (note 16)	242	(5,183)
<b>Total taxation</b>	<b>242</b>	<b>87</b>

The tax credit for the year is lower than the standard rate of UK corporation tax of 28% (2009 28%) The differences are explained below

	Year ended 28 August 2010 £000	74 weeks ended 29 August 2009 £000
<b>b) Factors affecting the tax credit for the year / period</b>		
Loss on ordinary activities before taxation	(7,238)	(62,109)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation of 28% (2009 28%)	(2,027)	(17,391)
<b>Effects of:</b>		
Capital allowances in excess of depreciation	(3)	1,265
Expenses not deductible for tax purposes	3,977	7,357
Other tax adjustments	-	59
Adjustments in respect of pension liabilities	(834)	(5,068)
Utilisation of tax losses	(1,113)	(204)
Tax losses not recognised	-	7,824
Group relief surrendered for no consideration	-	888
<b>Total current tax (note 9a)</b>	<b>-</b>	<b>(5,270)</b>

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

The directors expect that, due to the availability of tax losses, the Company's effective rate of tax in the future will be below the standard rate of corporation tax in the UK

The standard rate of corporation tax will reduce to 27% with effect from 1 April 2011. The deferred taxation credit in note 9a above includes a credit of £862,000 resulting from this change in rate. Furthermore, in the emergency budget, the government announced its intention to reduce the standard rate of corporation tax to 24% during the life of the current parliament.



**Bhs Limited****Notes to the financial statements for the year ended 28 August 2010 (continued)****10 Tangible fixed assets**

	Properties including fixed equipment			Fixtures, fittings & equipment	Total
	Freehold £000	Long leasehold £000	Short leasehold £000	£000	£000
<b>Cost</b>					
At 30 August 2009	15,379	205,712	158,675	497,629	877,395
Additions	22	3,580	2,820	20,985	27,407
Reclassifications	(2,053)	2,895	2,711	(3,553)	-
Disposals	(1,786)	(41,168)	(15,065)	(349,710)	(407,729)
<b>At 28 August 2010</b>	<b>11,562</b>	<b>171,019</b>	<b>149,141</b>	<b>165,351</b>	<b>497,073</b>
<b>Accumulated depreciation</b>					
At 30 August 2009	3,136	102,643	69,196	421,835	596,810
Charge for the year	110	5,300	7,125	19,865	32,400
Reclassifications	97	2,376	2,767	(5,240)	-
Disposals	(1,785)	(39,425)	(12,459)	(345,816)	(399,485)
<b>At 28 August 2010</b>	<b>1,558</b>	<b>70,894</b>	<b>66,629</b>	<b>90,644</b>	<b>229,725</b>
<b>Net book value</b>					
<b>At 28 August 2010</b>	<b>10,004</b>	<b>100,125</b>	<b>82,512</b>	<b>74,707</b>	<b>267,348</b>
At 29 August 2009	12,243	103,069	89,479	75,794	280,585

Freehold properties include £2,001,000 (2009 £2,001,000) of freehold land, which is not depreciated

Fixtures, fittings and equipment includes assets held under finance lease agreements, with a net book value of £2,031,000 at 28 August 2010 (2009 £3,778,000) Depreciation charged during the year in respect of these assets amounted to £1,747,000 (74 weeks ended 29 August 2009 £2,469,000)

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 11 Investments

Shares in subsidiary undertakings	Cost and net book value £000
At 29 August 2009 and 28 August 2010	1,600

The Company has investments in the following subsidiary undertakings

Company	Country of incorporation	Principal activity	Holding	%
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
Lowland Homes Limited*	England & Wales	Property Investment	Ordinary shares	100

\* held directly by Bhs Limited

\*\* held directly by subsidiary undertaking

Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares consolidated financial statements. In the opinion of the directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated.

#### 12 Stocks

	2010 £000	2009 £000
Goods for resale	60,720	77,980

#### 13 Debtors: amounts falling due within one year

	2010 £000	2009 £000
Trade debtors	14,325	13,106
Amounts owed by parent undertakings	-	8,500
Corporation tax recoverable	5,271	5,271
Other debtors	188	159
Prepayments and accrued income	14,297	19,965
	34,081	47,001

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 14 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Trade creditors	56,483	85,510
Amounts owed to group undertakings	62,011	66,104
Amounts owed to subsidiary undertakings	19,242	-
Obligations under finance leases	1,646	1,681
Taxation and social security	6,033	6,358
Other creditors	13,164	12,231
Accruals and deferred income	35,519	39,723
Landlords' contributions	4,720	6,327
	<b>198,818</b>	<b>217,934</b>

#### 15 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Obligations under finance leases payable		
- Between one and five years inclusive	1,831	3,476
- After five years	17	18
Landlords' contributions	6,737	9,091
	<b>8,585</b>	<b>12,585</b>

#### 16 Provisions for liabilities and charges

	Property £000	Deferred tax £000	Total £000
At 30 August 2009	26,983	24,355	51,338
Transferred to group undertaking	(7,361)	-	(7,361)
Profit and loss account	472	(1,082)	(610)
Utilised during the year	(49)	-	(49)
<b>At 28 August 2010</b>	<b>20,045</b>	<b>23,273</b>	<b>43,318</b>

The property-related provisions comprise £18,900,000 (2009 £18,900,000) in respect of remediation work, £845,000 (2009 £7,933,000) for leasehold premises which are either vacant or sub-let at below the Company's rental obligation and £300,000 (2009 £150,000) against the disposal costs of a store

At the year end, none of the provisions above were discounted

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 16 Provisions for liabilities and charges (continued)

##### Deferred taxation

The movements during the year on the Company's deferred tax balances are as follows

	£000
At 30 August 2009	(14,257)
Deferred tax credit in the profit and loss account (note 9)	(242)
Deferred tax credit in the statement of total recognised gains and losses	(5,914)
<b>At 28 August 2010</b>	<b>(20,413)</b>

	2010 £000	2009 £000
<b>Analysis of deferred tax balances recognised</b>		
Capital allowances	23,375	24,461
Other timing differences	(102)	(106)
Deferred tax provision excluding that relating to pension deficit	23,273	24,355
Deferred tax on pension deficit	(43,686)	(38,612)
	<b>(20,413)</b>	<b>(14,257)</b>

At the year end the Company had an unrecognised deferred tax asset of £6,450,000 (2009 £7,824,000) in respect of trading losses

#### 17 Called up share capital

	2010 £000	2009 £000
<b>Authorised</b>		
241,600,000 ordinary shares of 25 pence each	60,400	60,400
<b>Allotted and fully paid</b>		
214,530,881 ordinary shares of 25 pence each	53,633	53,633

## Bhs Limited

### Notes to the financial statements for the year ended 28 August 2010 (continued)

#### 18 Reconciliation of movements in equity shareholders' funds

	Share capital £000	Share premium account £000	Profit and loss account £000	Total 2010 £000	Total 2009 £000
Sustained loss for the year / period	-	-	(6,996)	(6,996)	(62,022)
Actuarial loss for the year / period	-	-	(26,900)	(26,900)	(159,400)
Deferred tax on actuarial loss	-	-	5,914	5,914	44,632
Net deduction from shareholders' funds	-	-	(27,982)	(27,982)	(176,790)
Opening shareholders' funds	53,633	13,094	(36,226)	30,501	207,291
Closing shareholders' funds	53,633	13,094	(64,208)	2,519	30,501

#### 19 Financial commitments

##### Operating leases

The Company leases certain land and buildings. 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:

	2010		2009	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
Operating leases which expire				
within 1 year	699	265	255	246
between 2-5 years inclusive	2,309	1,156	2,217	1,966
after 5 years	93,067	363	124,059	241
	96,075	1,784	126,531	2,453

##### Capital commitments

	2010 £000	2009 £000
Contracted for but not provided for	9,181	2,340

## **Bhs Limited**

### **Notes to the financial statements for the year ended 28 August 2010 (continued)**

#### **20 Parent undertaking, controlling party and related party disclosures**

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. Taveta is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Taveta's consolidated financial statements can be obtained by writing to the Secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

During the year the Company paid rents totalling £11,739,000 (74 weeks ended 29 August 2009: £14,870,000) to Carmen Properties Limited and £500,000 (74 weeks ended 29 August 2009: £625,000) to Mildenhall Holdings Limited. Both of these companies are under the same ultimate control as the Company. Of these amounts, £38,000 (2009: £nil) was outstanding to Carmen Properties Limited at the year end.

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Taveta group or investees of Taveta.

The Company's ultimate controlling party is Lady Cristina Green and her immediate family.