

BHS LIMITED

**FINANCIAL STATEMENTS,
DIRECTORS' AND AUDITORS' REPORTS
FOR THE 52 WEEKS ENDED 30 MARCH 2002**



COMPANY REGISTERED NUMBER: 229606

BHS LIMITED
DIRECTORS' REPORT

The directors submit their report on the financial statements for the 52 weeks ended 30 March 2002.

Principal activity

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

Business review

During the financial period, operating profit amounted to £93,656,000 (2001 (restated): £20,491,000) and the profit before taxation amounted to £94,853,000 (2001 (restated): £18,542,000). Net assets at the year end were £283,651,000 (2001 (restated): £335,203,000).

On 20 December 2001 the Directors paid interim dividends of £52,000,000 (2001: £nil). On 15 April 2002 the Directors proposed final dividends of £72,000,000 (2001: £nil).

The increase in operating profit this year reflects the continuing focus on product quality, supply chain improvements and control of overhead costs.

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.

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 Limited is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds.

BHS LIMITED
DIRECTORS' REPORT (CONTINUED)

Donations

The total amount donated for charitable purposes was £1,337 (2001: £44,605).

The directors who held office during the period were:

- P Green
- A Leighton
- P Coackley
- I Allkins
- T Green
- R Saunders
- C Coles (appointed 30 October 2001)

None of the directors have an interest in the shares of the company. The interests of P Green, P Coackley, I Allkins, R Saunders 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.

Fixed assets

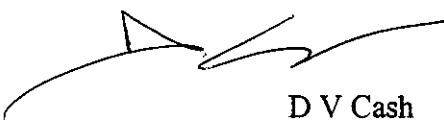
Information relating to changes in tangible fixed assets is shown in note 10 to the accounts.

The market value of freehold and long leasehold properties is, in the opinion of the directors, likely to materially exceed book value. This view is based on an open market valuation which was carried out in April 2000 by independent property consultants.

Auditors

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

By Order of the Board



D V Cash
Company Secretary
13 June 2002

BHS LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit and loss for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company and to enable them to ensure that the 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 group and company and to prevent and detect fraud and other irregularities.

BHS LIMITED**REPORT OF THE AUDITORS, KPMG, TO THE MEMBERS OF BHS LIMITED**

We have audited the financial statements on pages 5 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 regarding directors' remuneration and transactions with the Company and the Group is not disclosed.

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 30 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

13 June 2002

KPMG
Chartered Accountants
& Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

BHS LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 30 MARCH 2002

	Note	Total 2002 £000	Total 2001 (restated) £000
Turnover	2	875,109	815,205
Cost of sales		<u>(744,601)</u>	<u>(762,205)</u>
Gross profit		130,508	53,000
Administration expenses		(16,852)	(12,997)
Distribution expenses		<u>(20,000)</u>	<u>(19,512)</u>
Operating profit		93,656	20,491
Other interest receivable and similar income	3	2,683	982
Interest payable	4	<u>(1,486)</u>	<u>(2,931)</u>
Profit on ordinary activities before taxation	5	94,853	18,542
Tax on profit on ordinary activities	7	<u>(22,405)</u>	<u>1,862</u>
Profit on ordinary activities after taxation		72,448	20,404
Dividends	9	<u>(124,000)</u>	<u>-</u>
Retained (loss)/profit for the year	18	<u>(51,552)</u>	<u>20,404</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	72,448	20,404
Prior year adjustment (see note 8)	<u>(24,889)</u>	<u>-</u>
Total gains and losses recognised since last financial statements	<u>47,559</u>	<u>20,404</u>

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

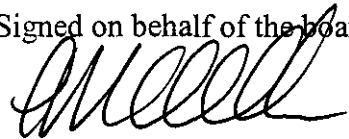
All turnover and operating profit arises from continuing operations. There were no acquisitions or discontinued activities in the year.

The notes on pages 8 to 25 form an integral part of these financial statements.

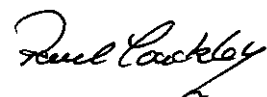
HS LIMITED
GROUP BALANCE SHEET
AS AT 30 MARCH 2002

	Note	30 March 2002		31 March 2001 (restated)	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		351,879		389,957
Current assets					
Stocks	12	71,773		67,359	
Debtors	13	32,330		25,489	
Cash at bank and in hand		<u>110,746</u>		<u>17,170</u>	
		214,849		110,018	
Creditors: amounts falling due within one year	14	(223,562)		(104,111)	
Net current (liabilities)/assets			(8,713)		5,907
Total assets less current liabilities			343,166		395,864
Creditors: amounts falling due after more than one year	15		(6,742)		(6,856)
Provisions for liabilities and charges					
Deferred tax	16	(39,237)		(42,527)	
Other provisions	16	(13,536)		(11,278)	
			(52,773)		(53,805)
Net assets			<u>283,651</u>		<u>335,203</u>
Capital and reserves					
Called up share capital	17		53,633		53,633
Share premium account	18		13,094		13,094
Profit and loss account	18		<u>216,924</u>		<u>268,476</u>
Equity shareholders' funds	19		<u>283,651</u>		<u>335,203</u>

Signed on behalf of the board



I M Allkins



P Coackley

13 June 2002

The notes on pages 8 to 25 form an integral part of these financial statements.

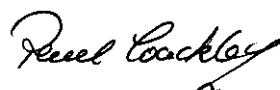
BHS LIMITED
COMPANY BALANCE SHEET
AS AT 30 MARCH 2002

		30 March 2002		31 March 2001 (restated)	
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	10	350,262		388,186	
Investments	11	<u>1,600</u>		<u>1,600</u>	
			351,862		389,786
Current assets					
Stocks	12	71,335		66,994	
Debtors	13	31,325		27,255	
Cash at bank and in hand		<u>112,691</u>		<u>16,920</u>	
		215,351		111,169	
Creditors: amounts falling due within one year	14	<u>(265,726)</u>		<u>(145,049)</u>	
Net current liabilities			<u>(50,375)</u>		<u>(33,880)</u>
Total assets less current liabilities			301,487		355,906
Creditors: amounts falling due after more than one year	15		(6,437)		(6,645)
Provisions for liabilities and charges					
Deferred tax	16	(39,111)		(42,411)	
Other provisions	16	<u>(13,536)</u>		<u>(11,278)</u>	
			<u>(52,647)</u>		<u>(53,689)</u>
Net assets			<u>242,403</u>		<u>295,572</u>
Capital and reserves					
Called up share capital	17		53,633		53,633
Share premium account	18		13,094		13,094
Profit and loss account	18		<u>175,676</u>		<u>228,845</u>
Equity shareholders' funds	19		<u>242,403</u>		<u>295,572</u>

Signed on behalf of the board



I M Allkins



P Coackley

13 June 2002

The notes on pages 8 to 25 form an integral part of these financial statements.

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year with the exception of the adoption of FRS 18 - "Accounting policies" which has had no significant impact and FRS 19 - "Deferred tax" which requires full provision for deferred tax as described in note 8. Prior year results have been restated to reflect this change in accounting policy. The accounting period covers the 52 weeks ended 30 March 2002. Comparative figures are as shown for the 52 two weeks ended 31 March 2001.

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Bhs Limited and its subsidiary undertakings. The acquisition method of accounting is used to consolidate the results of the subsidiary undertakings in the Group accounts.

As permitted by Section 230 (4) of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

Turnover

Group 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 amounts written off. 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.

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

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 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.

2. Turnover and segment information

The turnover and cost of sales for the period ended 31 March 2001 has been restated by £19,606,000 as a result of the reclassification of franchise sales. There is no effect on gross or retained profit.

The group 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

	2002	2001
	£000	£000
Bank interest receivable	2,451	782
Other sundry income	<u>232</u>	<u>200</u>
	<u>2,683</u>	<u>982</u>

4. Interest payable

	2002	2001
	£000	£000
On bank loans and overdrafts	495	100
On other loans	812	2,529
Other interest payable	16	42
Finance leases	<u>163</u>	<u>260</u>
	<u>1,486</u>	<u>2,931</u>

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Profit on ordinary activities before taxation

	2002	2001
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of owned assets	48,030	50,793
Loss/(profit) on disposal of fixed assets	719	(298)
Operating lease rentals - plant and equipment	3,348	3,460
- land and buildings	87,574	82,817
Auditor's remuneration - for audit services	55	75
- for other services	<u>38</u>	<u>55</u>

6. Staff costs

Employees

	2002	2001
	£000	£000
Wages and salaries	101,025	89,595
Social security costs	5,213	4,355
Other pension costs	<u>2,075</u>	<u>2,000</u>
	<u>108,313</u>	<u>95,950</u>

	2002	2001
	Number	Number
UK stores - Full-time	2,941	2,937
- Part-time	10,369	9,529
UK head office	532	539
Overseas	<u>105</u>	<u>96</u>
	<u>13,947</u>	<u>13,101</u>

Directors' emoluments

	2002	2001
	£000	£000
Emoluments	7,328	2,949
Company contributions to money purchase pension schemes	<u>14</u>	<u>2</u>
Total emoluments	<u>7,342</u>	<u>2,951</u>

The value of transactions with Going Plural Limited, who provide the services of A Leighton, in the year amounted to £1,625,000.

6. Staff costs (continued)

Pensions

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

	2002	2001
	£000	£000
Money purchase schemes	<u>2</u>	<u>1</u>
Defined benefit schemes	<u>2</u>	<u>1</u>

Highest paid director

	2002	2001
	£000	£000
Emoluments and long-term incentive schemes	<u>2,820</u>	<u>2,503</u>

The highest paid director is not a member of the company pension scheme, and therefore has no accrued benefit at year end.

The amounts above include £909,700 payable to Mr T Green in respect of compensation for loss of office with effect from 30 June 2002. This amount includes £21,000 as the estimated cost of providing continued employee benefits subsequent to his departure.

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Taxation

	2002	2001 (restated)
	£000	£000
a) Analysis of tax charge in the period		
UK corporation tax		
Profit of the period	25,514	-
Adjustment in respect of the previous period	22	-
Foreign tax		
Profit of the period	306	211
Adjustment in respect of the previous period	<u>(147)</u>	<u>338</u>
Total current tax	25,695	549
UK deferred tax		
Origination and reversal of timing differences	<u>(3,290)</u>	<u>(2,411)</u>
Tax on profit on ordinary activities	<u>22,405</u>	<u>(1,862)</u>

b) Factors affecting tax charge for the period

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

	2002	2001
	£000	£000
Profit on ordinary activities before tax	<u>94,853</u>	<u>18,542</u>
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	28,456	5,563
Effects of:		
Accounting depreciation in excess of tax depreciation	4,811	2,306
Other tax adjustments	(4,228)	(2,256)
Profits covered by available losses	(3,219)	(5,402)
Adjustments relating to prior years corporation tax	<u>(125)</u>	<u>338</u>
Total current tax	<u>25,695</u>	<u>549</u>

c) Factors that may affect future tax charges

Sufficient, unrelieved capital tax losses at the year end are available to offset future capital gains. As there is no current expectation of future disposals, and hence possible capital gains, no deferred tax assets have been recognised.

8. Prior year adjustment

The prior year adjustment relates to the adoption of FRS 19 which requires full provision for deferred tax. Prior year results have been restated to reflect this change in accounting policy.

Recognition of the unprovided deferred tax has resulted in a £27,300,000 debit to opening reserves for the year ended 31 March 2001. Movement of the provision in the year ended 31 March 2001 has resulted in a credit of £2,411,000 to the profit and loss account. The net impact on the opening deferred tax provision is an increase of £24,889,000.

9. Dividends

	2002 £000	2001 £000
Interim dividend paid of 24.24p (2001: nil) per ordinary share	52,000	-
Final dividend proposed of 33.56p (2001: nil) per ordinary share	<u>72,000</u>	<u>-</u>
	<u>124,000</u>	<u>-</u>

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Tangible fixed assets

GROUP	Properties including fixed equipment			Fixtures, fittings & equipment*	Total
	Freehold £000	Long leasehold £000	Short leasehold £000		
Cost					
At 31 March 2001	8,579	156,515	154,694	392,128	711,916
Additions	46	851	-	12,446	13,343
Intergroup transfers	-	(732)	(2,148)	-	(2,880)
Reclassification	(162)	64	133	(35)	-
Disposals	(123)	-	(173)	(6,297)	(6,593)
As at 30 March 2002	<u>8,340</u>	<u>156,698</u>	<u>152,506</u>	<u>398,242</u>	<u>715,786</u>
Depreciation					
As at 1 April 2001	695	54,609	34,261	232,394	321,959
Charge	178	4,350	5,929	37,573	48,030
Intergroup transfers	-	(151)	(385)	-	(536)
Reclassification	6	(966)	54	906	-
Disposals	(16)	-	(51)	(5,479)	(5,546)
As at 30 March 2002	<u>863</u>	<u>57,842</u>	<u>39,808</u>	<u>265,394</u>	<u>363,907</u>
Net book value					
At 30 March 2002	<u>7,477</u>	<u>98,856</u>	<u>112,698</u>	<u>132,848</u>	<u>351,879</u>
At 31 March 2001	<u>7,884</u>	<u>101,906</u>	<u>120,433</u>	<u>159,734</u>	<u>389,957</u>

* Includes construction in progress of £2,878,000 (2001: £72,000).

Freehold properties includes £1,401,000 (2001: £1,435,000) 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 £5,157,000 at 30 March 2002 (2001: £4,740,000). Depreciation charged during the year in respect of these assets amounted to £1,330,000 (2001: £1,476,000).

10. Tangible fixed assets (continued)

COMPANY	Properties including fixed equipment			Fixtures, fittings & equipment*	Total
	Freehold £000	Long leasehold £000	Short leasehold £000		
Cost					
As at 1 April 2001	8,563	156,448	152,977	389,727	707,715
Additions	46	840	-	12,420	13,306
Intergroup transfers	-	(732)	(2,148)	-	(2,880)
Reclassification	(162)	64	133	(35)	-
Disposals	<u>(123)</u>	<u>-</u>	<u>(173)</u>	<u>(6,287)</u>	<u>(6,583)</u>
As at 30 March 2002	<u>8,324</u>	<u>156,620</u>	<u>150,789</u>	<u>395,825</u>	<u>711,558</u>
Depreciation					
As at 1 April 2001	695	54,588	33,500	230,746	319,529
Charge	178	4,347	5,843	37,475	47,843
Intergroup transfers	-	(151)	(385)	-	(536)
Reclassification	6	(966)	54	906	-
Disposals	<u>(16)</u>	<u>-</u>	<u>(51)</u>	<u>(5,473)</u>	<u>(5,540)</u>
As at 30 March 2002	<u>863</u>	<u>57,818</u>	<u>38,961</u>	<u>263,654</u>	<u>361,296</u>
Net book value					
At 30 March 2002	<u>7,461</u>	<u>98,802</u>	<u>111,828</u>	<u>132,171</u>	<u>350,262</u>
At 31 March 2001	<u>7,868</u>	<u>101,860</u>	<u>119,477</u>	<u>158,981</u>	<u>388,186</u>

* Includes construction in progress of £2,878,000 (2001: £72,000).

Freehold properties includes £1,386,000 (2001: £1,435,000) 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 £5,157,000 at 30 March 2002 (2001: £4,740,000). Depreciation charged during the year in respect of these assets amounted to £1,330,000 (2001: £1,476,000).

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Investments

	Company	
	2002	2001
	£000	£000
At beginning of year	1,600	1,820
Disposal of subsidiaries	—	(220)
At end of year	<u>1,600</u>	<u>1,600</u>

The parent company has investments in the following subsidiary undertakings which affected the profits or net assets of the Group:

Company	Country of incorporation	Principal activity	Holding	%
Bhs (Jersey) Limited	Jersey	Retailing	Ordinary shares	100
Bhs Services Limited	England & Wales	Financial services	Ordinary shares	100
Bhs (Hong Kong) Limited	Hong Kong	Inactive	Ordinary shares	100

12. Stock

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Goods for resale	<u>71,773</u>	<u>67,359</u>	<u>71,335</u>	<u>66,994</u>

13. Debtors

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade debtors	4,782	5,784	4,080	5,784
Amounts owed by other group undertakings	-	-	-	2,112
Other debtors	332	3,922	203	3,922
Prepayments and accrued income	<u>27,216</u>	<u>15,578</u>	<u>27,042</u>	<u>15,232</u>
	<u>32,330</u>	<u>25,284</u>	<u>31,325</u>	<u>27,050</u>
Amounts recoverable after more than one year:				
Other debtors	<u>-</u>	<u>205</u>	<u>-</u>	<u>205</u>
	<u>32,330</u>	<u>25,489</u>	<u>31,325</u>	<u>27,255</u>

14. Creditors: amounts falling due within one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Bank loan	7,500	-	7,500	-
Trade creditors	42,805	38,365	42,805	38,365
Amounts owed to other group undertakings	47,684	21,540	86,336	60,524
Taxation and social security	18,110	2,837	17,759	2,495
Other creditors	6,544	5,499	10,503	5,499
Accruals and deferred income	24,583	30,484	24,487	32,780
Landlords' contributions	1,891	3,789	1,891	3,789
Proposed dividends	72,000	-	72,000	-
Obligations under finance leases	<u>2,445</u>	<u>1,597</u>	<u>2,445</u>	<u>1,597</u>
	<u>223,562</u>	<u>104,111</u>	<u>265,726</u>	<u>145,049</u>

5. Creditors: amounts falling due after more than one year

	Group		Company	
	2002 £000	2001 £000	2002 £000	2001 £000
Bank loan	2,500	-	2,500	-
Taxation and social security	305	211	-	-
Landlords' contributions	1,886	4,017	1,886	4,017
Obligations under finance leases	<u>2,051</u>	<u>2,628</u>	<u>2,051</u>	<u>2,628</u>
	<u>6,742</u>	<u>6,856</u>	<u>6,437</u>	<u>6,645</u>

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Provisions for liabilities and charges

	Deferred tax £000	Group Other provisions £000	Total £000
Balance at 31 March 2001 as previously reported	17,638	11,278	28,916
Prior year adjustment (see note 8)	<u>24,889</u>	-	<u>24,889</u>
Balance at 31 March 2001 as restated	42,527	11,278	53,805
Charge for the year	-	2,072	2,072
Utilised during the year	-	186	186
Release for the year	<u>(3,290)</u>	-	<u>(3,290)</u>
	<u>39,237</u>	<u>13,536</u>	<u>52,773</u>

	Deferred tax £000	Company Other provisions £000	Total £000
Balance at 31 March 2001 as previously reported	17,522	11,278	28,800
Prior year adjustment (see note 8)	<u>24,889</u>	-	<u>24,889</u>
Balance at 31 March 2001 as restated	42,411	11,278	53,689
Charge for the year	-	2,072	2,072
Utilised during the year	-	186	186
Release for the year	<u>(3,300)</u>	-	<u>(3,300)</u>
	<u>39,111</u>	<u>13,536</u>	<u>52,647</u>

	Group		Company	
Deferred taxation	2002 £000	2001 £000	2002 £000	2001 £000
Provision in respect of:				
Capital allowances	44,214	47,026	44,088	46,910
Other timing differences	<u>(4,977)</u>	<u>(4,499)</u>	<u>(4,977)</u>	<u>(4,499)</u>
	<u>39,237</u>	<u>42,527</u>	<u>39,111</u>	<u>42,411</u>

Other provisions

	Group and Company		
	Store closures £000	Other £000	Total £000
At beginning of the year	6,269	5,009	11,278
Charged to profit and loss account	22	2,050	2,072
Utilised during the year	<u>245</u>	<u>(59)</u>	<u>186</u>
At end of the year	<u>6,536</u>	<u>7,000</u>	<u>13,536</u>

16. Provisions for liabilities and charges (continued)

The store closure provision of £6,536,000 (2001: £6,269,000) includes estimated costs of £6,015,000 (2001: £5,590,000) for future lease obligations and £521,000 (2001: £679,000) of other costs relating to the disposal of eight retail stores and two non-operating leases. It is anticipated that the provision will be fully utilised within the next financial period.

Other provisions primarily relate to onerous lease provisions of £2,685,000 (2001: £2,109,000) and a provision for dilapidations of £2,815,000 (2001: £2,900,000).

17. Share capital

	2002 £000	2001 £000
Authorised		
241,600,000 ordinary shares of 25 pence each	<u>60,400</u>	<u>60,400</u>
Allotted, called up and fully paid		
214,530,881 ordinary shares of 25 pence each	<u>53,633</u>	<u>53,633</u>

18. Reserves

	Group (restated) £000	Company (restated) £000
Share premium account		
As at 1 April 2001 and 30 March 2002	<u>13,094</u>	<u>13,094</u>
Profit and loss account		
As at 1 April 2001	293,365	253,734
Adjustment to opening reserves (see note 8)	<u>(24,889)</u>	<u>(24,889)</u>
As restated	268,476	228,845
Retained loss for the year	<u>(51,552)</u>	<u>(53,169)</u>
As at 30 March 2002	<u>216,924</u>	<u>175,676</u>

The reserves have been restated for the implementation of FRS 19 (see note 8).

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. Reconciliation of movements in shareholders' funds

	Group	
	2002	2001
		(restated)
	£000	£000
Profit for the year	72,448	20,404
Dividends	(124,000)	-
Net (reductions)/additions to shareholders' funds	(51,552)	20,404
Opening shareholders' funds (originally £360,092,000 before adding prior year adjustment of £24,889,000, see note 8)	<u>335,203</u>	<u>314,799</u>
Closing shareholders' funds	<u>283,651</u>	<u>335,203</u>

	Company	
	2002	2001
		(restated)
	£000	£000
Profit for the year	70,831	19,511
Dividends	(124,000)	-
Net (reductions)/additions to shareholders' funds	(53,169)	19,511
Opening shareholders' funds (originally £320,461,000 before adding prior year adjustment of £24,889,000, see note 8)	<u>295,572</u>	<u>276,061</u>
Closing shareholders' funds	<u>242,403</u>	<u>295,572</u>

20. Financial commitments

Operating leases

The group 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:

	2002		2001	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
Operating leases which expire:				
Within one year	-	3,005	-	1,091
Within two to five years	1,191	1,386	869	4,151
After five years	<u>70,817</u>	<u>1,031</u>	<u>57,764</u>	<u>76</u>
	<u>72,008</u>	<u>5,422</u>	<u>58,633</u>	<u>5,318</u>

Loans

	2002 Bank loan £000	2001 Bank loan £000
Group and company		
Within one year	7,500	-
Between one year and two years	<u>2,500</u>	<u>-</u>
	<u>10,000</u>	<u>-</u>

Finance leases

The future minimum lease payments to which the group and company is committed at 30 March 2002 under finance leases are as follows:

	2002 £000	2001 £000
Within one year	2,445	1,597
Within two to five years inclusive	<u>2,051</u>	<u>2,628</u>
	<u>4,496</u>	<u>4,225</u>

Capital commitments

	2002 £000	2001 £000
Contracted for but not provided for - group and company	<u>10,023</u>	<u>10,549</u>

BHS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

20. Financial commitments (continued)

Guarantees

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

21. Pension costs (SSAP 24)

The group has operated two defined benefit pension schemes for its employees in the period.

The majority of the assets of each scheme are held in a separate trustee common investment fund. The pension costs relating to the schemes were assessed in accordance with the advice of qualified actuaries using primarily the projected unit methods. The latest actuarial valuations were carried out at 31 March 2000.

An actuarial review was carried out at 31 March 2001 to assess the schemes position relative to the minimum funding requirements introduced by the 1995 Pension Act. The next formal actuarial valuations are due to be carried out at 31 March 2003.

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

Actuarial Valuation	
Rate of return on investments	8.00%
Rate of increase in salaries	6.0% - 7.0%
Rate of increase in pension	3.75%

The aggregate market value of the schemes' investments at 31 March 2000 was £374,700,000 and the actuarial values were sufficient to cover between 113 percent and 145 percent of the benefits that had accrued to members after allowing for expected future increases in earnings.

The total pension cost for the group is £2,075,000 (2001: £2,000,000) and includes a credit of £5,702,000 (2001: £5,500,000) in respect of the amortisation of pension surpluses arising in prior years which are now being allocated over the remaining service lives of members of between 6 and 15 years.

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

22. Pension costs (FRS 17 - disclosures)

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. A new pension cost accounting standard, FRS 17 - "Retirement benefits", has to be fully implemented by 2004. However, under the transitional arrangements of FRS 17 the group is required to disclose the following information about the group scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

The group operates two defined benefit schemes for its employees. The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations at 31 March 2000 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 30 March 2002.

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

Rate of increase in salaries	4.8%
Rate of increase of pensions in payment	2.8%
Rate of increase of deferred pensions	-
Discount rate	6.1%
Inflation assumption	2.8%

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

	Expected rate of return %	Value at 30 March 2002 £m
Equities	8.0	211.9
Bonds	5.7	79.9
Property	7.5	42.1
Cash	-	<u>4.6</u>
Total market value of assets		338.5
Present value of scheme liabilities		<u>(321.1)</u>
Surplus in the scheme		17.4
Related deferred tax liability		<u>(5.2)</u>
Net pension asset		<u>12.2</u>

BHS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****22. Pension costs (FRS17 - disclosure) (continued)**

If the above pension asset was recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

Net assets

Net assets excluding pension asset and related deferred tax liability	283.6
Net pension asset under FRS 17	<u>12.2</u>
Net assets including pension asset	<u>295.8</u>

Reserves note

Profit and loss account reserves excluding pension asset and related deferred tax liability	216.9
Net pension asset under FRS 17	<u>12.2</u>
Profit and loss reserve including pension asset	<u>229.1</u>

23. Ultimate controlling party

P Green and his immediate family are the ultimate controlling party of Bhs Limited. Bhs Limited is the smallest group in which the results of the company are consolidated.

The largest group in which the results of the company are consolidated is that headed by Bhs Group Limited of Marylebone House, 129 - 137 Marylebone Road, London, NW1 5QD.

24. Related party transactions

A Leighton is a director of Going Plural Limited who provided services to Bhs Limited in the year amounting to £1,775,000 (2001: £nil). Included in the £1,775,000 (2001: £nil) is an amount of £1,625,000 (2001: £nil) in respect of A Leighton's services. Bhs Limited owes £1,525,000 (2001: £nil) to Going Plural Limited at the year end.

Other subsidiaries of Bhs Group Limited entered into a sale and leaseback transaction when they sold their interests in certain properties to Carmen Properties Limited, a company under the same ultimate control as Bhs Group Limited. Bhs Limited previously rented these properties from other Bhs Group subsidiaries. Bhs Limited now rents the properties from Carmen Properties Limited. The value of rental transactions in respect of these properties in the year amounted to £5,867,000. There are no amounts due to or from Carmen Properties Limited at the year end.