

BHS GROUP LIMITED
(Formerly Measuremarket Limited)

FINANCIAL STATEMENTS, DIRECTORS' AND AUDITORS' REPORTS
For the 76 weeks and 2 Days to 31 March 2001



Company Registered Number: 3858895

DIRECTORS' REPORT

The directors submit their report on the financial statements for the period ended 31 March 2001.

Principal Activity

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

Business Review

The results for the period 76 weeks and 2 days ended 31 March 2001, which are set out in the profit and loss account on page 5, show an operating profit of £120,797,000 (after amortisation of negative goodwill of £86,169,000). The results for the group cover the period from 22 May 2000, when Bhs Group Ltd acquired the Bhs retail businesses from Storehouse.

On 2 April 2001 the company changed its name from Measuremarket Limited to Bhs Group Limited.

Profit and Dividends

The profit for the financial period after taxation is £107,772,000. The directors do not recommend a dividend payment for the period.

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

Creditor Payment Policy

Payments to merchandise suppliers are made in accordance with the general conditions of purchase, which are communicated to suppliers at the beginning of the trading relationship. It is the group's policy to make payments to non-merchandise suppliers, unless otherwise agreed, within the period set out in the supplier's invoice or within 30 days.

The amount owed to trade creditors at the end of the period represented 24 days of average daily purchases during the period for the group. (The company has no trade creditors).

Donations

The total amount donated for charitable purposes was £45,022.

Directors and their Interests

The directors who held office during the period were:

TSD Secretaries Ltd	(Appointed 14 October 1999) (Resigned 24 March 2000)
TSD Nominees Ltd	(Appointed 14 October 1999) (Resigned 24 March 2000)
P Green	(Appointed 24 March 2000)
P Coackley	(Appointed 24 March 2000)
I Allkins	(Appointed 24 March 2000)
R Saunders	(Appointed 22 May 2000)

P Green and his immediate family had beneficial interests in 100% of the issued share capital of Bhs Group Limited. R Saunders beneficially owned 10,000 shares. No other director has an interest in the company.

DIRECTORS' REPORT (continued)

Fixed Assets

Information relating to changes in tangible fixed assets is shown in Note 8 to the accounts.

The market value of freehold and long leasehold properties is, in the opinion of the directors, not 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

KPMG were appointed auditors on 16 August 2000. A resolution to re-appoint KPMG and authorising the directors to fix their remuneration, will be proposed at the Annual General Meeting.

Registered Office:

**129-137 Marylebone House
Marylebone Road
London NW1 5QD**

By Order of the Board



D V Cash

Secretary
6 July 2001

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 to prevent and detect fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF BHS GROUP LIMITED

We have audited the financial statements on pages 5 to 22.

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. 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 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 as at 31 March 2001, and of the profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

6 July 2001

KPMG

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

GROUP PROFIT AND LOSS ACCOUNT
for the period ended 31 March 2001

	Note		Total 2001 £000
		£000	£000
<u>Turnover</u>	2		705,602
Cost of sales			(642,301)
<u>Gross profit</u>			63,301
Administration expenses before amortisation of negative goodwill		(11,537)	
Amortisation of negative goodwill		86,169	
Administration expenses after amortisation of negative goodwill			74,632
Distribution expenses			(17,136)
<u>Operating Profit from retail operations</u>	3		120,797
Profit on disposal of fixed assets	4		2,841
Net interest payable	6		(14,829)
<u>Profit on ordinary activities before taxation</u>			108,809
Tax on profit on ordinary activities	7		(1,037)
Retained profit for the period			<u>107,772</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the period ended 31 March 2001

Profit for the financial period, being the total recognised gains and losses.	2001 £000
	<u>107,772</u>

The movement on reserves is shown in note 16.

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

The notes on pages 8 to 22 form an integral part of these financial statements.

All turnover, operating profit and profit on the disposal of tangible fixed assets arise from continuing operations acquired during the period.

BALANCE SHEET
As at 31 March 2001

	Note	GROUP 2001 £000	COMPANY 2001 £000
FIXED ASSETS			
Negative goodwill on acquisition	10	(311,488)	-
Tangible assets	8	535,069	-
Investments	9	<u>-</u>	<u>82,668</u>
		223,581	82,668
CURRENT ASSETS			
Stocks		67,359	-
Debtors	11	69,608	49,590
Cash at bank and in hand		<u>5,428</u>	<u>-</u>
		142,395	49,590
CREDITORS: Amounts falling due within one year	12	<u>(98,766)</u>	<u>(18,061)</u>
NET CURRENT ASSETS		<u>43,629</u>	<u>31,529</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		267,210	114,197
CREDITORS: Amounts falling due after more than one year:	12	(129,630)	(122,774)
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>(29,308)</u>	<u>-</u>
NET ASSETS/(LIABILITIES)		<u>108,272</u>	<u>(8,577)</u>
CAPITAL AND RESERVES			
Called-up share capital	15	475	475
Share premium account	16	25	25
Profit and loss account	16	<u>107,772</u>	<u>(9,077)</u>
TOTAL EQUITY SHAREHOLDER'S FUNDS		<u>108,272</u>	<u>(8,577)</u>

Signed on behalf of the Board

M Allkins  Director

Coackley  Director

5 July 2001

The notes on pages 8 to 22 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

		2001 £000
	Note	
Net cash inflow from operating activities	18	90,962
Returns on investments and servicing of finance		
Interest received		608
Interest paid		(11,686)
Net cash outflow from returns on investments and servicing of finance		(11,078)
Taxation		
UK corporation tax received		152
Overseas corporate tax (paid)		(558)
Total tax paid		(406)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(14,680)
Sale of tangible fixed assets		<u>9,510</u>
Net cash outflow from capital expenditure and financial investments		(5,170)
Acquisitions and disposals		
Purchase of Bhs business (net of cash acquired)		(37,889)
Net cash inflow before financing		36,419
Financing		
Short Term Borrowings		94,300
Long Term Borrowings		115,261
Issue of Share Capital		500
Issue of Subordinated Bond		19,500
New Finance Leases		4,225
(Repayment) of short term borrowing		(94,300)
(Repayment) of subsidiaries short term Borrowing on acquisition		<u>(170,477)</u>
Net cash outflow from financing		(30,991)
Increase in cash in the period		<u>5,428</u>

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies of the group are set out below.

The accounting period covers the period since incorporation being the 76 weeks and 2 days from 14 October 1999 to 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 Group Limited and its subsidiary undertakings drawn up to 31 March 2001. The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the Group accounts, with the results of subsidiaries acquired or sold consolidated for the periods from or to the date on which control passed.

As provided by the Companies Act 1985, the Company does not disclose its own separate profit and loss account.

Turnover

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

Goodwill

Negative goodwill arising on the purchase of the Group companies is capitalised in the balance sheet and is written off over the period of stock turn and the useful economic lives of individual tangible fixed assets.

Tangible Fixed Assets

Tangible fixed assets are included at cost, less accumulated depreciation. 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
Freehold land is not depreciated		

NOTES TO THE FINANCIAL STATEMENTS

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.

Deferred Taxation

Deferred taxation is provided on the excess of capital allowances over book depreciation and in respect of short-term timing differences to the extent that the directors are of the opinion that a liability or asset is expected to be payable or receivable in the foreseeable future. However, no deferred taxation asset is recognised for any carried forward tax losses to the extent that they exceed liabilities.

Foreign Currency

Transactions denominated 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.

Leased Assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

All other leases are treated as "operating leases". Annual rentals are charged to the profit and loss account in the period in which they are incurred.

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.

2. SEGMENT INFORMATION

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

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING PROFIT FROM RETAIL OPERATIONS

Operating profit from retail operations is stated after charging:

	2001 £000
Depreciation of owned assets (note 8)	45,942
Rent of properties	62,514
Auditor's remuneration	71,598
Staff costs (note 5)	88,620
Hire of plant and equipment	3,460

4. PROFIT ON DISPOSAL OF FIXED ASSETS

	2001 £000
Profit on disposal of property	<u>2,841</u>

There is no net tax effect arising as a result of the exceptional item.

NOTES TO THE FINANCIAL STATEMENTS

5. DIRECTORS AND EMPLOYEES

Employees

An analysis of the average monthly number of full and part time employees (including directors) throughout the group, is as follows:

	2001 Number
UK Stores - Full-time	2,937
- Part-time	9,529
UK Head Office	539
Overseas	<u>96</u>
	<u>13,101</u>

Staff costs during the period amounted to:

	2001 £000
Wages and salaries	80,937
Social security costs	4,004
Other pension costs (note 23)	<u>3,679</u>
	<u>88,620</u>

Directors Remuneration

The remuneration of the directors was as follows:

	2001 £000
Emoluments	1,184
Company Contributions to money purchase pension schemes	<u>2</u>
Total emoluments	<u>1,186</u>

Pensions

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

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

NOTES TO THE FINANCIAL STATEMENTS

5. DIRECTORS AND EMPLOYEES (continued)

Highest Paid Director

The above amounts for remuneration include the following in respect of the highest paid director:-

	2001
	£000
Emoluments	869

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

6. NET INTEREST PAYABLE

	2001
	£000
Interest Payable:	
On bank loans and overdrafts	(14,052)
On other loans	(1,385)
Interest Receivable	<u>608</u>
	<u>(14,829)</u>

7. TAXATION

	2001
	£000
The taxation charge for the period comprises:	
Current:	
UK Corporation tax at 30%	826
Overseas taxation	211
Deferred taxation (note 14)	<u>-</u>
	<u>1,037</u>

Overseas tax of £549,000 is payable: £338,000 payable on 1 January 2002, is included in other tax liabilities in creditors due within one year and £211,000 payable on 1 January 2003, is included in creditors due after more than one year.

The effective tax rate is reduced as losses brought forward in a company acquired during the period will be utilised.

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

The net book value of leasehold properties includes £122,392,000 in respect of short leasehold properties in the case of the group and £nil in the case of the Company.

<u>GROUP</u>	Properties including fixed equipment		Fixtures, fittings and equipment*	Total
	Freehold £000	Leasehold £000	£000	£000
<u>Cost</u>				
On acquisition	51,235	320,284	199,301	570,820
Additions	5,649	6,740	3,421	15,810
Disposals	<u>(893)</u>	<u>1,790</u>	<u>(17,711)</u>	<u>(16,814)</u>
31 March 2001	<u>55,991</u>	<u>328,814</u>	<u>185,011</u>	<u>569,816</u>
<u>Depreciation</u>				
Charge for the period	1,365	9,387	35,190	45,942
Disposals	<u>(830)</u>	<u>(523)</u>	<u>(9,842)</u>	<u>(11,195)</u>
At 31 March 2001	<u>535</u>	<u>8,864</u>	<u>25,348</u>	<u>34,747</u>
<u>Net book value</u>				
At 31 March 2001	<u>55,456</u>	<u>319,950</u>	<u>159,663</u>	<u>535,069</u>

* Includes construction in progress of £72,000

Freehold properties includes £18,854,000 of freehold land which is not depreciated.

The cost on acquisition includes a fair value adjustment made on acquisition (see note 17). Disposal of Leasehold properties reflects an adjustment to write back assets previously identified for disposal and subsequently not disposed.

The Company does not have any tangible fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS (continued)

Tangible fixed assets at 31 March 2001 include the following in respect of assets held under finance leases.

	Properties including fixed equipment		Fixtures, fittings & equipment	Total
	Freehold £000	Leasehold £000	£000	£000
Net book value at acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cost	-	-	7,269	7,269
Accumulated depreciation	<u>-</u>	<u>-</u>	(2,529)	(2,529)
Net book value at 31 March 2001	<u>-</u>	<u>-</u>	<u>4,740</u>	<u>4,740</u>

9. INVESTMENTS

	Group 2001 £000	Company 2001 £000
At 31 March 2001	<u>-</u>	<u>82,668</u>

At the balance sheet date the Company holds, directly or indirectly, 100% of the ordinary share capital of the following subsidiary undertakings which are registered in England and Wales except where noted below:

Company

Bhs Limited

Bhs Properties Limited

Bhs (Jersey) Limited (incorporated in Jersey)

Davenbush Limited

Bhs Services Limited

Bhs Limited (incorporated in Hong Kong)

NOTES TO THE FINANCIAL STATEMENTS

10. NEGATIVE GOODWILL

	2001 £000
Cost	
Acquisitions (note 17)	(397,657)
At 31 March 2001	(397,657)
Amortisation:	
Release in the year	86,169
At 31 March 2001	86,169
Net Book Value as at 31 March 2001	<u>311,488</u>

11. DEBTORS

	Group 2001 £000	Company 2001 £000
Trade debtors	7,801	-
Amounts owed by other group undertakings	-	49,589
Other debtors	2,312	1
Prepayments and accrued income	18,871	-
Pension Surplus	<u>5,139</u>	-
	34,123	49,590
Amounts recoverable after more than one year:		
Other debtors	205	-
Pension Surplus	<u>35,280</u>	-
	<u>69,608</u>	<u>49,590</u>

12. CREDITORS: Amounts falling due within one year and after one year

Amounts falling due within one year

	Group 2001 £000	Company 2001 £000
Bank overdraft	-	2,254
Bank loan *	14,704	14,704
Obligations under finance leases	1,597	-
Trade creditors	38,365	-
Corporation Tax	619	-
Taxation and social security	2,605	-
Other creditors	4,287	-
Accruals	32,800	1,103
Landlords' contributions	<u>3,789</u>	-
	<u>98,766</u>	<u>18,061</u>

NOTES TO THE FINANCIAL STATEMENTS

12. CREDITORS: Amounts falling due within one year and after one year (continued)

Amounts falling due after one year

	Group 2001 £000	Company 2001 £000
Bank Loan * (repayable within 2-5 years)	101,889	101,889
Subordinated bond ** (repayable within 2-5 years)	20,885	20,885
Corporation tax	211	-
Landlords contributions	4,017	-
Obligations under finance leases	<u>2,628</u>	<u>-</u>
	<u>129,630</u>	<u>122,774</u>

* The total amount to be repaid within one year is £15,000,000, and within 2-5 years is £105,000,000. The creditor above is shown net of issue costs in accordance with FRS 4.

**The subordinated bond was issued at £19,500,000 and interest is accrued at a rate of 8% to maturity.

13. LEASING COMMITMENTS

The future minimum lease payments to which the company is committed at 31 March 2001 under finance leases are as follows:

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

At 31 March 2001 the company has annual commitments under operating leases as set out below:

	2001 Land & Buildings £000	2001 Other £000
Operating leases which expire:		
Within one year	-	1,091
Within two to five years	869	4,151
After five years	<u>73,233</u>	<u>76</u>
	<u>74,102</u>	<u>5,318</u>

NOTES TO THE FINANCIAL STATEMENTS

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2001 £000	Company 2001 £000
<u>Deferred taxation</u>		
On acquisition and at end of period	<u>18,030</u>	<u>-</u>
<u>Other provisions</u>		
On acquisition	9,191	
Charged to profit and loss account	2,355	
Utilised	<u>(268)</u>	<u>-</u>
At end of period	<u>11,278</u>	<u>-</u>
Total provisions	<u>29,308</u>	<u>-</u>
The deferred taxation provision comprises:		
Provision in respect of:		
Capital allowances	22,529	-
Other timing differences	<u>(4,499)</u>	<u>-</u>
	<u>18,030</u>	<u>-</u>
The further unprovided liability is:		
Capital allowances	<u>24,889</u>	<u>-</u>

Other Provisions

	Store Closure £000	Other £000	Total £000	Company £000
At acquisition	4,141	5,050	9,191	-
Charged to profit and loss account	2,271	84	2,355	-
Utilised	<u>(143)</u>	<u>(125)</u>	<u>(268)</u>	<u>-</u>
At end of the period	<u>6,269</u>	<u>5,009</u>	<u>11,278</u>	<u>-</u>

The store closure provision of £6,269,000 includes estimated costs of £5,590,000 for future lease obligations and £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 provision £2,100,000 and provision for dilapidations £2,900,000.

NOTES TO THE FINANCIAL ACCOUNTS

15. CALLED-UP SHARE CAPITAL

2001 £000 Authorised	2001 £000 Allotted, Called Up and Fully Paid
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Attributable to equity interests:

2,000,000 Ordinary shares
at 25p each

500

1,900,000 Ordinary shares at 25p
each

475

The authorised share capital was increased from 400,000 shares of 25p on 17 May 2000 to 2,000,000 shares of 25p.

1,700,000 25p shares were issued on 22 May 2000.

16. RESERVES

Group £000	Company £000
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Share premium account
At 31 March 2001

25

25

STATEMENT OF RETAINED PROFITS

Balance at incorporation
Profit/(Loss) for the financial period

107,772

(9,077)

Balance at the end of the period

107,772

(9,077)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

Group 2001 £000	Company 2001 £000
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Balance at incorporation
Issue of Share capital
Issue of share premium
Profit/(loss) for the financial period

475

475

25

25

107,772

(9,077)

Balance at end of period

108,272

(8,577)

NOTES TO THE FINANCIAL STATEMENTS

17. PURCHASE OF BUSINESS

On 22 May 2000, the Company acquired the whole of the issued share capital of Bhs Limited, Bhs Properties Ltd, Davenbush Ltd, Bhs Jersey Ltd and Bhs Limited (Hong Kong) for a total consideration of £82,668,000. The consideration was satisfied by cash. The Group has used acquisition accounting to account for the purchase. The assets and liabilities of the acquired business are set out below.

	Book Value £000	Revaluation Adjustment £000	Fair Value £000
Tangible fixed assets	515,214	63,825	579,039
Stocks	80,932	-	80,932
Debtors	13,104	43,036	56,140
Short Term borrowings	(170,477)		(170,477)
Creditors and provisions	(109,288)	(800)	(110,088)
Cash	<u>44,779</u>	<u>-</u>	<u>44,779</u>
Shareholders funds	374,264	106,061	480,325
Goodwill			<u>(397,657)</u>
 Purchase consideration			<u>82,668</u>

The revaluation adjustment has been made to revalue fixed assets, to recognise the pension surplus included in debtors and to recognise an onerous lease provision.

For the period ended 31 March 2001, the acquired business has contributed £90,962,000 to the Group's net operating cash flows.

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	£000
Operating Profit	120,797
Depreciation charge	45,942
Amortisation of negative goodwill	(86,169)
Amortisation of pension surplus	2,707
Decrease in stock	13,583
Decrease in debtors	(16,020)
Increase in creditors and provisions	<u>10,122</u>
 Net cash inflow from operating activities	<u>90,962</u>

NOTES TO THE FINANCIAL STATEMENTS

19. ANALYSIS OF CHANGES IN NET DEBT

	14 October 1999 £000	Cashflow £000	Acquisition (excl. cash and overdrafts) £000	Non Cash	31 March 2001 £000
Cash in hand, at bank	-	5,428	-		5,428
Debt due after one year	-	(120,353)	-	(2,421)	(122,774)
Debt due within 1 year	-	(184,885)	170,477	(296)	(14,704)
Finance leases	-	(4,225)	-	-	(4,225)
	-	(304,035)	170,477	(2,717)	(136,275)

20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£000	£000
Increase in cash during the period	5,428	
Cash inflow from increase in debt and lease finance	(309,463)	(304,035)
Other non cash items		(2,717)
Loans acquired with subsidiary		170,477
Movement in net debt in the period		(136,275)
Net funds at 14 October 1999		-
Net Debt at 31 March 2001		(136,275)

21. CAPITAL COMMITMENTS

	2001 £000
Capital commitments are as follows:	
Contracted for but not provided for - Group	10,549
- Company	-

NOTES TO THE FINANCIAL STATEMENTS

22. CONTINGENT LIABILITIES

Under the group banking arrangement the Company is party to set off against other Bhs Group member bank accounts. The Company is also party to a Bhs Group Limited VAT registration.

There are no other contingent liabilities at the year end of which the directors are aware.

23. PENSION COSTS

The group has operated two defined benefit pension schemes for its employees in the period which are funded by contributions from both the Company and its employees.

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 will be 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 £3,679,000.

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

The pension surplus recoverable within and after one year is shown in note 11.

NOTES TO THE FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS

The subordinated bond (note 12) is held by a company that is ultimately controlled by P Green.

25. ULTIMATE CONTROLLING PARTY

P Green is the ultimate controlling party of Bhs Group Limited.