

Bhs Group Limited

Financial Statements,  
Directors' and Independent Auditor's Reports

For the 52 Weeks Ended 29 March 2008

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COMPANIES HOUSE

Company registered number 3858895

## **Bhs Group Limited**

### **Directors' report**

The directors submit their report on the financial statements for the 52 weeks ended 29 March 2008

#### **Principal activity**

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

#### **Business review**

During the financial year, operating profit (after amortisation of negative goodwill of £5,598,000 (2007 £6,046,000)) amounted to £33,587,000 (2007 £52,721,000) and the profit before taxation amounted to £32,632,000 (2007 £49,405,000). The group profit for the year after taxation was £25,464,000 (2007 £35,343,000). Net assets at the year end were £160,158,000 (2007 £111,006,000). Net debt at the end of the year was £89,645,000 (2007 £88,604,000).

The ongoing investment in new stores, the refurbishment of the existing chain, the expansion of internet shopping and product improvement will contribute to the company's objective of growing both total and underlying sales. Ongoing supply chain improvements, including tight stock and commitment management, are particularly important in the current trading climate to ensure gross margins are optimised.

The directors do not propose a final dividend (2007 £nil)

#### **Key performance indicators ('KPI's')**

The board use a range of KPIs to monitor the group's performance and progress towards its strategic objectives. The principal KPIs, which are reviewed at both group and product level and as frequently as daily, include like-for-like sales, best and least performing stores/lines, margins, markdowns, cash flows and returns on capital invested in store openings/refits.

#### **Principal risks and uncertainties**

The key business risks currently facing the group are the increasingly competitive market place and the sourcing of new ranges to satisfy our value conscious customers.

#### **Investment**

The group continues to seek suitable opportunities to increase its presence on the high street as well as upgrading the existing estate. To this end £60.9m was invested during the year on new leasehold outlets, refurbishing existing outlets and back of house systems.

#### **Future outlook**

A combination of the group's current investment programme supported by a dedicated and enthusiastic workforce lead the directors to view the group's future performance with confidence.

#### **Directors and their interests**

The directors who served during the year were

Sir Philip Green  
Paul Coackley  
Ian Allkins  
Chris Coles

#### **Fixed assets**

The group's tangible fixed assets are included in the financial statements at depreciated historic cost. The properties are employed in the business and many of them were acquired when market values were substantially lower than at present. The directors consider that a surplus over book value exists.

#### **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 group'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.

**Bhs Group Limited**  
**Directors' report (continued)**

**Disabled employees**

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

**Donations**

The total amount donated for charitable purposes was £39,000 (2007 £218,000)

**Disclosure of information to auditors**

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

**Auditors**

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

By Order of the Board



Elinor Bell  
Company Secretary

9 July 2008

## **Bhs Group Limited**

### **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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

In preparing these financial statements, the directors are required to

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

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

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

We have audited the group and parent company financial statements (the "financial statements") of Bhs Group Limited for the year ended 29 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 29 March 2008 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

*KPMG LLP*

KPMG LLP  
Chartered accountants and registered auditor  
8 Salisbury Square  
London EC4Y 8BB

9 July 2008

**Bhs Group Limited****Group profit and loss account for the 52 weeks ended 29 March 2008**

	Note	2008 £000	2007 £000
Turnover	2	860,333	872,526
Cost of sales		(799,233)	(790,509)
<b>Gross profit</b>		<b>61,100</b>	<b>82,017</b>
Administrative expenses before amortisation of negative goodwill		(7,767)	(10,859)
Amortisation of negative goodwill	9	5,598	6,046
Administrative expenses after amortisation of negative goodwill		(2,169)	(4,813)
Distribution costs		(25,344)	(24,483)
<b>Operating profit</b>		<b>33,587</b>	<b>52,721</b>
Other interest receivable and similar income	3	8,309	5,808
Interest payable and similar charges	4	(9,264)	(9,124)
<b>Profit on ordinary activities before taxation</b>	5	<b>32,632</b>	<b>49,405</b>
Tax on profit on ordinary activities	8	(7,168)	(14,062)
<b>Retained profit for the financial year</b>	18	<b>25,464</b>	<b>35,343</b>

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

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

**Statement of total recognised gains and losses for the 52 weeks ended 29 March 2008**

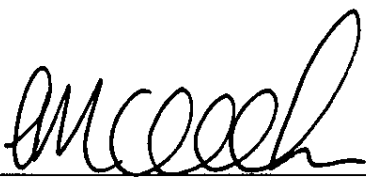
	Note	2008 £000	2007 £000
Retained profit for the financial year	19	25,464	35,343
Actuarial gain	7	32,900	38,200
Deferred tax on actuarial gain		(9,212)	(11,460)
<b>Total recognised gains and losses</b>		<b>49,152</b>	<b>62,083</b>

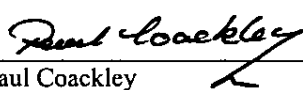
The notes on pages 8 to 22 form an integral part of these financial statements

**Bhs Group Limited**  
**Group and company balance sheet as at 29 March 2008**

	Note	Group		Company	
		2008 £000	2007 £000	2008 £000	2007 £000
<b>Fixed assets</b>					
Negative goodwill	9	(109,275)	(114,873)	-	-
Tangible assets	10	409,372	387,724	-	-
Investments	11	-	-	82,668	82,668
		<b>300,097</b>	<b>272,851</b>	<b>82,668</b>	<b>82,668</b>
<b>Current assets</b>					
Stocks	12	78,252	80,085	-	-
Debtors	13	43,069	45,070	11,458	50,381
Cash at bank and in hand		-	38,218	-	-
		<b>121,321</b>	<b>163,373</b>	<b>11,458</b>	<b>50,381</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(195,569)</b>	<b>(154,782)</b>	<b>(69,968)</b>	<b>(23,497)</b>
<b>Net current (liabilities)/assets</b>		<b>(74,248)</b>	<b>8,591</b>	<b>(58,510)</b>	<b>26,884</b>
<b>Total assets less current liabilities</b>		<b>225,849</b>	<b>281,442</b>	<b>24,158</b>	<b>109,552</b>
<b>Creditors amounts falling due after more than one year</b>	15	<b>(38,443)</b>	<b>(116,135)</b>	<b>(20,000)</b>	<b>(99,631)</b>
<b>Provisions for liabilities and charges</b>					
Deferred tax	16	(24,261)	(25,867)	-	-
Other provisions	16	(5,435)	(5,894)	-	-
		<b>(29,696)</b>	<b>(31,761)</b>	<b>-</b>	<b>-</b>
<b>Net assets before pension asset</b>		<b>157,710</b>	<b>133,546</b>	<b>4,158</b>	<b>9,921</b>
<b>Pension asset/(liability)</b>	7	<b>2,448</b>	<b>(22,540)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>160,158</b>	<b>111,006</b>	<b>4,158</b>	<b>9,921</b>
<b>Capital and reserves</b>					
Called up share capital	17	475	475	475	475
Share premium account	18	25	25	25	25
Profit and loss account	18	159,658	110,506	3,658	9,421
<b>Equity shareholders' funds</b>	19	<b>160,158</b>	<b>111,006</b>	<b>4,158</b>	<b>9,921</b>

Signed on behalf of the board of directors

  
 Ian Allkins

  
 Paul Coackley

9 July 2008

**Bhs Group Limited**  
**Consolidated cash flow statement**

	Note	2008 £000	2007 £000
<b>Net cash inflow from operating activities</b>	20	<b>72,003</b>	<b>108,187</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		3,104	1,451
Interest paid		(9,070)	(8,734)
Issue costs of loan		(195)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(6,161)</b>	<b>(7,283)</b>
<b>Taxation</b>			
UK corporation tax paid		(12,229)	(12,522)
Overseas corporation tax paid		(385)	(482)
<b>Total tax paid</b>		<b>(12,614)</b>	<b>(13,004)</b>
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(53,124)	(33,304)
<b>Net cash inflow before financing</b>		<b>104</b>	<b>54,596</b>
<b>Financing</b>			
Short term loan		40,000	-
Capital element of finance lease rental		(1,322)	(1,202)
Repayment of long term loan		(100,000)	-
<b>Net cash outflow from financing</b>		<b>(61,322)</b>	<b>(1,202)</b>
<b>(Decrease)/increase in cash in the year</b>	21	<b>(61,218)</b>	<b>53,394</b>



# **Bhs Group Limited**

## **Notes to the financial statements for the year ended 29 March 2008**

### **1. Accounting policies**

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding financial year. The financial year covers the 52 weeks ended 29 March 2008. Comparative figures are as shown for the 52 weeks ended 31 March 2007.

#### **Basis of preparation**

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

#### **Basis of consolidation**

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

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.

#### **Goodwill**

Negative goodwill arising on the purchase of the group companies is capitalised in the balance sheet and is written off over the useful economic lives of individual tangible fixed assets on a straight line basis.

#### **Tangible fixed assets**

Tangible fixed assets are included at cost less accumulated depreciation. 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 investments in subsidiary undertakings are stated at cost less provisions for impairment.

#### **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.

#### **Lease incentives**

Rental free periods and similar lease incentives are accounted for in accordance with the requirements of UITF 28 Operating Lease Incentives.

**1. Accounting policies (continued)****Taxation**

The taxation charge 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 issue costs are amortised over the life of the related debt instrument

**Post Retirement Benefits**

The group operates a defined contribution pension scheme. The assets of the scheme are held separately to those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The group also operates two pension schemes providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. Pension scheme assets are measured using market values. For quoted securities the mid-market price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

**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

**2. Segment information**

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**

	2008 £000	2007 £000
Bank interest receivable	2,387	1,645
Other sundry income	422	63
Other finance income (see note 7)	5,500	4,100
	8,309	5,808

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****4. Interest payable and similar charges**

	2008 £000	2007 £000
Bank loans and overdrafts	8,617	8,616
Other interest payable	297	138
Finance leases	350	370
	<b>9,264</b>	<b>9,124</b>

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

	2008 £000	2007 £000
Profit on ordinary activities before taxation after charging		
Depreciation of owned assets	32,249	31,507
Depreciation of leased assets	1,862	2,147
Operating lease rentals - plant and equipment	5,058	4,908
- land and buildings	111,610	107,621
Fees payable to the company's auditor for the audit of the company's subsidiaries, pursuant to legislation	86	85
Fees payable to the company's auditor for the audit of the company's annual accounts, pursuant to legislation	15	15
Fees payable to the company's auditor for tax fees	54	30
Fees payable to the company's auditor for other services, pursuant to legislation	4	3

**6. Staff costs****Employees**

	2008 £000	2007 £000
Wages and salaries	128,233	122,665
Social security costs	7,868	7,522
Other pension costs	11,688	13,853
	<b>147,789</b>	<b>144,040</b>

	2008 Number	2007 Number
UK stores - Full-time	3,269	3,153
- Part-time	10,785	10,607
UK head office	800	801
Overseas	83	77
	<b>14,937</b>	<b>14,638</b>

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****6. Staff costs (continued)****Directors' emoluments**

	2008 £000	2007 £000
Emoluments	1,004	962

**Pensions**

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

	2008 Number	2007 Number
Money purchase schemes	2	2
Defined benefit schemes	2	2

**Highest paid director**

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

	2008 £000	2007 £000
Emoluments	503	512

The highest paid director was a member of the company defined benefit pension scheme and a member of a separate money purchase scheme. At the year end that accrued pension was £39,000 (2007 £30,000) per annum and the accrued lump sum was £305,000 (2007 £292,000)

**7. Pension costs**

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £386,000 (2007 £265,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The group operates two defined benefit schemes for its employees. The valuation used has been based on the most recent actuarial valuations at 31 March 2006 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 31 March 2007. The contribution made by the group amounted to 19.2% (2007 13.6%) of pensionable pay and it has been agreed that contributions will remain at this level until the results of the next actuarial valuation at 28 March 2009.

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

	29 March 2008 %	31 March 2007 %	1 April 2006 %
Rate of increase in salaries	5.0	5.0	4.8
Rate of increase of pensions in payment	3.5	3.0	2.8
Rate of increase of deferred pensions	3.5	3.0	2.8
Discount rate	6.9	5.4	5.0
Inflation assumption	3.5	3.0	2.8

# Bhs Group Limited

## Notes to the financial statements for the year ended 29 March 2008 (continued)

### 7. Pension costs (continued)

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

	Long term expected rate of return %	Value at 29 March 2008 £m	Long term expected rate of return %	Value at 31 March 2007 £m	Long term expected rate of return %	Value at 1 April 2006 £m
Equities	8.4	209.4	7.8	242.9	7.8	214.1
Bonds	6.9	102.7	5.4	95.6	4.9	86.5
Gilts	4.4	10.4	4.8	9.3	4.3	34.1
Property	7.3	95.7	6.6	105.9	6.7	96.4
Other	4.5	14.0	4.0	7.8	3.9	6.2
Total market value of assets		432.2		461.5		437.3
Present value of scheme liabilities		(428.8)		(493.7)		(507.0)
Surplus/(deficit) in the scheme		3.4		(32.2)		(69.7)
Related deferred tax (liability)/asset		(1.0)		9.7		20.9
Net pension asset/(liability)		2.4		(22.5)		(48.8)

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

	29 March 2008 £m	31 March 2007 £m
Current service cost	(10.9)	(13.8)
Past service cost	-	-
Total operating charge	(10.9)	(13.8)

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

	29 March 2008 £m	31 March 2007 £m
Expected return on pension scheme assets	31.6	29.0
Interest cost	(26.1)	(24.9)
Net return	5.5	4.1

An analysis of amounts which are recognised in the Statement of Total Recognised Gains and Losses (STRGL) is as follows:

	29 March 2008 £m	31 March 2007 £m
Annual return less expected return on pension scheme assets	(48.8)	2.0
Experience (losses)/gains arising on scheme liabilities	(5.3)	3.7
Changes in financial assumptions underlying the scheme liabilities	87.0	32.5
Actuarial gain recognised in STRGL	32.9	38.2

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****7. Pension costs (continued)**

An analysis of the movement in the pension asset is as follows.

	2008 £000	2007 £000
As at 31 March 2007	(32,200)	(69,700)
Service costs	(10,900)	(13,800)
Other finance income	5,500	4,100
Contributions	8,100	9,000
Actuarial gain	32,900	38,200
As at 29 March 2008	3,400	(32,200)
Related deferred taxation	(952)	9,660
<b>Net pension asset/(liability)</b>	<b>2,448</b>	<b>(22,540)</b>

	29 March 2008 £m	31 March 2007 £m	1 April 2006 £m	2 April 2005 £m
<b>History of amounts recognised in STRGL</b>				
Actual return less expected return on scheme assets	(48.8)	2.0	50.6	16.2
<i>Percentage of scheme assets</i>	<i>(11)%</i>	<i>0%</i>	<i>12%</i>	<i>4%</i>
Experience (losses)/gains on scheme liabilities	(5.3)	3.7	(10.6)	3.1
<i>Percentage of scheme liabilities</i>	<i>1%</i>	<i>(1)%</i>	<i>2%</i>	<i>(1)%</i>
Total amount recognised in STRGL	32.9	38.2	10.2	10.0
<i>Percentage of scheme liabilities</i>	<i>8%</i>	<i>8%</i>	<i>2%</i>	<i>2%</i>

# Bhs Group Limited

## Notes to the financial statements for the year ended 29 March 2008 (continued)

### 8. Taxation

	2008 £000	2007 £000
<b>a) Analysis of the tax charge in the year</b>		
<b>UK corporation tax</b>		
On profit for the year	9,022	15,983
Adjustment in respect of the previous year	(1,656)	(221)
<b>Foreign tax</b>		
On profit for the year	232	472
Adjustment in respect of the previous year	(223)	-
<b>Total current tax</b>	<b>7,375</b>	<b>16,234</b>
<b>UK deferred tax</b>		
Origination and reversal of timing differences	(1,090)	(2,172)
Adjustment in respect of the previous year	883	-
<b>Tax on profit on ordinary activities</b>	<b>7,168</b>	<b>14,062</b>
<b>b) Factors affecting tax charge for the year</b>		
The tax assessed for the year is greater than the standard rate of UK corporation tax of 30% (2007 30%) The differences are explained below		
	2008 £000	2007 £000
Profit on ordinary activities before tax	32,632	49,405
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30% (2007 30%)	9,790	14,821
<b>Effects of:</b>		
Accounting depreciation in excess of tax depreciation	100	1,978
Consolidation adjustments (including goodwill amortisation)	(1,868)	(2,250)
Costs not deductible for tax purposes	2,117	1,919
Other tax adjustments	(75)	(223)
Adjustments in respect of pension (assets)/liabilities	(810)	210
Adjustments relating to prior year's corporation tax	(1,879)	(221)
<b>Total current tax</b>	<b>7,375</b>	<b>16,234</b>

The group had an unrecognised deferred tax asset of £6,927,000 (2007 £5,457,000) at year end

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

The group have unrelieved capital losses of £24,738,000 at year end (2007 £18,189,000) As there is no current expectation of future disposals and hence possible capital gains against which the losses may be offset, no deferred tax assets have been recognised in respect of these losses

The UK corporation tax rate will be reduced from 30% to 28% from 1 April 2008 This change is not expected to have a material effect on the group

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****9. Negative goodwill**

	£000
<b>Cost</b>	
As at 31 March 2007 and 29 March 2008	(360,913)
<b>Amortisation</b>	
As at 31 March 2007	246,040
Release for the year	5,598
As at 29 March 2008	251,638
<b>Net book value</b>	
As at 29 March 2008	(109,275)
As at 31 March 2007	(114,873)

**10. Tangible fixed assets**

GROUP	Properties including fixed equipment	Long leasehold	Short leasehold	Fixtures, fittings & equipment*	Total
	Freehold £000	£000	£000	£000	£000
<b>Cost</b>					
As at 31 March 2007	68,724	204,220	98,328	270,170	641,442
Additions	3,667	8,312	8,266	40,658	60,903
Transfer	2	(1,235)	1,233	-	-
Disposals	-	(5,249)	(756)	(16,437)	(22,442)
As at 29 March 2008	72,393	206,048	107,071	294,391	679,903
<b>Depreciation</b>					
As at 31 March 2007	4,256	46,812	12,577	190,073	253,718
Charge	1,130	6,893	4,805	21,283	34,111
Transfer	-	(68)	68	-	-
Disposals	-	(2,475)	(201)	(14,622)	(17,298)
As at 29 March 2008	5,386	51,162	17,249	196,734	270,531
<b>Net book value</b>					
As at 29 March 2008	67,007	154,886	89,822	97,657	409,372
As at 31 March 2007	64,468	157,408	85,751	80,097	387,724

\* Includes construction in progress with costs of £3,340,000 (2007 £11,107,000)

Freehold properties include £23,804,000 (2007 £23,804,000) of freehold land which is not depreciated

Fixtures, fitting and equipment includes assets held under finance lease agreements, with a net book value of £5,727,000 at 29 March 2008 (2007 £6,655,000) Depreciation charged during the year in respect of these assets amounted to £1,862,000 (2007 £2,111,000)

The company itself does not have any tangible fixed assets



# Bhs Group Limited

## Notes to the financial statements for the year ended 29 March 2008 (continued)

### 11. Investments

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
As at 29 March 2008	-	-	82,668	82,668

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 Limited*	England & Wales	Retailing	Ordinary shares	100
Bhs (Jersey) Limited**	Jersey	Retailing	Ordinary shares	100
Epoch Properties Limited**	Jersey	Property Investment	Ordinary shares	100
Bhs Properties Limited*	England & Wales	Property Investment	Ordinary shares	100
Davenbush Limited*	England & Wales	Property Investment	Ordinary shares	100
Lowland Homes Limited**	England & Wales	Property Investment	Ordinary shares	100
PS Supplies Limited**	England & Wales	Wholesale	Ordinary shares	100
Bhs Services Limited**	England & Wales	Inactive	Ordinary shares	100
Bhs (Hong Kong) Limited**	Hong Kong	Inactive	Ordinary shares	100

\* held directly by Bhs Group Limited

\*\* held directly by subsidiary undertakings

On 6 May 2008 PS Supplies Limited was dissolved

### 12. Stocks

	Group	
	2008 £000	2007 £000
Goods for resale	78,252	80,085

The company does not hold any stock

### 13. Debtors

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Trade debtors	9,632	10,032	-	-
Amounts owed by group undertakings	-	-	11,455	50,381
Other debtors	1,054	1,045	3	-
Prepayments and accrued income	32,383	33,993	-	-
	43,069	45,070	11,458	50,381

# Bhs Group Limited

## Notes to the financial statements for the year ended 29 March 2008 (continued)

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

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank overdraft	23,000	-	29,649	3,293
Bank loan	39,815	19,973	39,815	19,973
Trade creditors	67,990	71,208	-	-
Taxation and social security	8,169	12,887	-	-
Other creditors	7,786	8,007	-	-
Accruals and deferred income	41,831	37,068	504	231
Landlords' contributions	5,526	4,372	-	-
Obligations under finance leases	1,452	1,267	-	-
	<b>195,569</b>	<b>154,782</b>	<b>69,968</b>	<b>23,497</b>

The bank loan is shown net of issue costs in accordance with FRS 4 "Capital instruments"

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

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Bank loan	20,000	99,631	20,000	99,631
Taxation and social security	-	422	-	-
Landlords' contributions	13,065	10,131	-	-
Obligations under finance leases	5,378	5,951	-	-
	<b>38,443</b>	<b>116,135</b>	<b>20,000</b>	<b>99,631</b>

The bank loan is shown net of issue costs in accordance with FRS 4 "Capital instruments"

### 16. Group provisions for liabilities and charges

	Deferred tax £000	Other provisions £000	Total £000
As at 31 March 2007	25,867	5,894	31,761
Charge for the year	-	1,422	1,422
Release for the year	(1,606)	(704)	(2,310)
Utilised during the year	-	(1,177)	(1,177)
As at 29 March 2008	24,261	5,435	29,696
		<b>2008 £000</b>	<b>2007 £000</b>
<b>Deferred taxation</b>			
Provision in respect of			
Capital allowances		24,458	26,200
Other timing differences		(197)	(333)
		<b>24,261</b>	<b>25,867</b>

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****16. Group provisions for liabilities and charges (continued)**

The group had an unrecognised deferred tax asset of £6,927,000 (2007 £5,457,000) at year end

**Company**

The company had no unrecognised deferred tax assets (2007 £nil) at year end

**Other provisions**

	<b>Vacant property £000</b>	<b>Other £000</b>	<b>Total £000</b>
As at 31 March 2007	5,203	691	5,894
Charge for the year	716	706	1,422
Release for the year	(50)	(654)	(704)
Utilised during the year	(1,140)	(37)	(1,177)
As at 29 March 2008	4,729	706	5,435

The vacant property provision of £4,729,000 (2007 £5,203,000) includes discounted estimated costs of £4,579,000 (2007 £5,008,000) for future lease obligations and £150,000 (2007 £195,000) of other costs relating to the disposal of one retail store

Other provisions consist of dilapidations of £nil (2007 £37,000) and a sales return provision of £706,000 (2007 £654,000)

**17. Share capital**

	<b>2008 £000</b>	<b>2007 £000</b>
<b>Authorised</b>		
2,000,000 ordinary shares of 25p each	500	500
<b>Allotted, called up and fully paid</b>		
1,900,000 ordinary shares of 25p each	475	475

Bhs Group has in issue warrants which entitle the warrant holders to subscribe for 100,000 ordinary shares at a strike price of their nominal value of 25p each. They enable the warrant holders to subscribe in cash for ordinary shares upon the occurrence of a change of control, sale, disposal or flotation. As no event has yet occurred that would enable the warrants to be exercised, no shares have been issued to warrant holders.

When a dividend is declared payable to the shareholders the warrant holders are entitled to a dividend. The dividend payable for each subscription share entitlement held is the equivalent to the dividend per ordinary share. In the current year the warrant holders have become entitled to £nil (2007 £nil).

# Bhs Group Limited

## Notes to the financial statements for the year ended 29 March 2008 (continued)

### 18. Reserves

	Group		Company	
	£000		£000	
Share premium account				
As at 31 March 2007 and 29 March 2008			25	25
	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Profit and loss account				
As at 31 March 2007	110,506	48,423	9,421	4,431
Retained profit/(loss) for the financial year	25,464	35,343	(5,763)	(5,010)
Dividend received	-	-	-	10,000
Actuarial gain for the year	32,900	38,200	-	-
Deferred tax on actuarial gain	(9,212)	(11,460)	-	-
Total profit and loss account	159,658	110,506	3,658	9,421

### 19. Reconciliation of movements in shareholders' funds

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	111,006	48,923	9,921	4,931
Retained profit/(loss) for the financial year	25,464	35,343	(5,763)	(5,010)
Dividend received	-	-	-	10,000
Other recognised gains and losses	23,688	26,740	-	-
<b>Closing shareholders' funds</b>	<b>160,158</b>	<b>111,006</b>	<b>4,158</b>	<b>9,921</b>

### 20. Reconciliation of operating profit to net cash inflow from operating activities

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Operating profit	33,587	52,721
Depreciation charge	34,111	33,654
Amortisation of negative goodwill	(5,598)	(6,046)
Net pension cost	2,800	4,800
Fixed asset write-off	5,144	1,000
Decrease/(increase) in stock	1,833	(8,008)
Decrease/(increase) in debtors	1,705	(5,359)
(Decrease)/increase in creditors and provisions	(1,579)	35,425
<b>Net cash inflow from operating activities</b>	<b>72,003</b>	<b>108,187</b>

**Bhs Group Limited****Notes to the financial statements for the year ended 29 March 2008 (continued)****21. Reconciliation of net cash flow to movement in net debt**

	2008 £000	2007 £000
(Decrease)/increase in cash during the year	(61,218)	53,394
Decrease in debt and lease finance	61,322	1,202
	104	54,596
Non cash items	(1,145)	(1,340)
(Increase)/decrease in net debt in the year	(1,041)	53,256
Opening net debt	(88,604)	(141,860)
Closing net debt	(89,645)	(88,604)

The main non cash movement relates to finance lease arrangements which the group entered into during the year. The total capital value at the inception of the leases was £934,000 (2007 £1,030,000)

**22. Analysis of changes in net debt**

	31 March 2007 £000	Cashflow £000	Other non cash changes £000	29 March 2008 £000
Cash in hand, at bank	38,218	(61,218)	-	(23,000)
Debt due within one year	(19,973)	-	(19,842)	(39,815)
Debt due after one year	(99,631)	60,000	19,631	(20,000)
Finance leases	(7,218)	1,322	(934)	(6,830)
	(88,604)	104	(1,145)	(89,645)

**23. Financial commitments****Loans - Group and Company**

	Bank loan £000	Fees £000	Creditor £000
<b>2008</b>			
Within 1 year	40,000	(185)	39,815
Within 1-2 years inclusive	20,000	-	20,000
	60,000	(185)	59,815
<b>2007</b>			
Within 1 year	20,000	(27)	19,973
Within 1-2 years inclusive	100,000	(369)	99,631
	120,000	(396)	119,604

## Bhs Group Limited

### Notes to the financial statements for the year ended 29 March 2008 (continued)

#### 23. Financial commitments (continued)

During the year the group repaid the existing bank loan of £100,000,000 and replaced it with long term flexible overdraft, ancillary and revolving credit facilities. These provide the company with a range of financing options which can be used to match the requirements of the business. They are guaranteed by the company and its subsidiaries, Bhs Limited, Bhs Properties Limited and Davenbush Limited. There is a separate loan outstanding of £20,000,000 guaranteed by the issued share capital of Epoch Properties Limited. Interest is payable at commercial rates on a regular basis.

##### 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:

	2008		2007	
	Land & buildings £000	Other £000	Land & buildings £000	Other £000
Operating leases which expire				
Within 1 year	912	2,116	990	2,279
Within 2-5 years	2,060	1,932	2,450	1,180
After 5 years	112,827	241	109,836	331
	115,799	4,289	113,276	3,790

##### Finance leases

The future minimum finance lease payments to which the group is committed at 29 March 2008 are as follows:

	2008 £000	2007 £000
Within 1 year	1,452	1,267
Within 2-5 years	4,743	5,299
After 5 years	635	652
	6,830	7,218

##### Capital commitments

	2008 £000	2007 £000
Contracted for but not provided for - Group	20,386	21,254

The company has no capital commitments.

##### Guarantees

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

#### 24. Ultimate controlling party

Lady Cristina Green and her immediate family are the ultimate controlling party of Bhs Group Limited. The registered office of Bhs Group Limited is Marylebone House, 129-137 Marylebone Road, London, NW1 5QD.

## **Bhs Group Limited**

### **Notes to the financial statements for the year ended 29 March 2008 (continued)**

#### **25. Related parties**

A Leighton, a director of Bhs Limited until 23 January 2008, is also a director of Going Plural Limited, a company in which he has a controlling interest. During the year Bhs Limited paid £42,000 to Going Plural Limited for the services of A Leighton (2007 £54,000). The group owes £nil (2007 £4,000) to Going Plural Limited at the year end.

Bhs Limited rents properties from Carmen Properties Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of these properties in the year amounted to £13,244,000 (2007 £12,889,000). There were no amounts due to or from Carmen Properties Limited at the year end (2007 £nil).

Bhs Limited rents a property from Mildenhall Holdings Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of this property in the year amounted to £500,000 (2007 £500,000). The group owes £nil (2007 £nil) to Mildenhall Holdings Limited at the year end.

Arcadia Group Limited is under the same ultimate control as Bhs Group Limited. Bhs Group Limited invoiced Arcadia Group Limited £926,000 (2007 £966,000) relating to the services of certain Bhs Limited and Bhs Group Limited directors and employees to Arcadia Group Limited and the provision of certain restaurant services to Arcadia Group Limited. Arcadia Group Limited invoiced Bhs Limited £4,077,000 (2007 £3,916,000) relating principally to the provision of certain sourcing activities. At the year end Arcadia Group Limited owes Bhs Group Limited £141,000 (2007 creditor of £365,000).