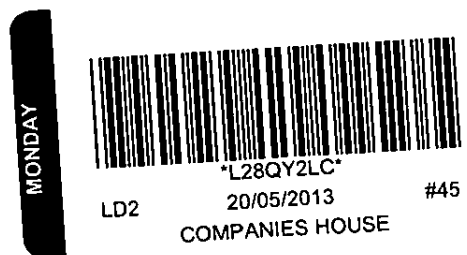


Bhs Limited

Report and financial statements  
for the year ended  
25 August 2012

Company registered number: 229606



## **Bhs Limited (registered no. 229606)**

### **Directors' report for the year ended 25 August 2012**

The directors present their report together with the audited financial statements of BHS Limited ("the Company") for the year ended 25 August 2012

#### **Activities**

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

#### **Business review**

At the year end the Company was a wholly owned subsidiary of Taveta Investments Limited and a review of the group's businesses during the year, its future outlook and its position at 25 August 2012 is given on page 1 to the financial statements of that company

The results of the Company for the year are set out in the profit and loss account on page 4. During the year, the operating loss before exceptional items amounted to £65,727,000 (2011 £43,661,000) and the loss before taxation and exceptional items amounted to £71,409,000 (2011 £12,253,000 profit)

During the year, the Company incurred an exceptional charge of £44,598,000 (2011 £88,309,000). This comprised an impairment charge of £nil (2011 £16,254,000) against the carrying value of the Company's fixed assets and £44,598,000 (2011 £72,055,000) for establishing a provision against the future leasing obligations of the Company's loss-making stores.

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

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

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

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

#### **Directors**

The Company's directors during the year and up to the date of signing the financial statements were

S Boyce (appointed 29 Apr 2013)  
P Budge  
I Grabner  
Sir P Green  
C Harris

#### **Disabled employees**

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

#### **Going concern**

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Company's ultimate parent undertaking, Taveta Investments Limited.

#### **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.

## Bhs Limited

### Directors' report for the year ended 25 August 2012 (continued)

#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### Statement of disclosure of information to auditors

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

#### Independent auditors

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

On behalf of the Board



**P Budge**  
Director  
15 May 2013

# **Bhs Limited**

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

We have audited the financial statements of Bhs Limited for the year ended 25 August 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 25 August 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006


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

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

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

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

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

  
Steve Denison (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
15 May 2013

## Bhs Limited

### Profit and loss account for the year ended 25 August 2012

	Note	Before exceptional items £'000	Exceptional items (note 3) £'000	2012 Total £'000	Before exceptional items £'000	Exceptional items (note 3) £'000	2011 Total £'000
<b>Turnover</b>		699,769	-	699,769	740,313	-	740,313
Cost of sales	3	(709,602)	(44,598)	(754,200)	(731,618)	(88,309)	(819,927)
<b>Gross (loss)/profit</b>		(9,833)	(44,598)	(54,431)	8,695	(88,309)	(79,614)
Administrative expenses		(55,894)	-	(55,894)	(52,356)	-	(52,356)
<b>Operating loss</b>		(65,727)	(44,598)	(110,325)	(43,661)	(88,309)	(131,970)
Interest receivable and similar income	4	60	-	60	116	-	116
Interest payable and similar charges	5	(5,842)	-	(5,842)	(351)	-	(351)
Other income	6	-	-	-	56,949	-	56,949
Other finance income/(costs)	9	100	-	100	(800)	-	(800)
<b>(Loss)/profit on ordinary activities</b>	7	(71,409)	(44,598)	(116,007)	12,253	(88,309)	(76,056)
Tax on (loss)/profit on ordinary activities	10			33,889			39,246
<b>Loss for the financial year</b>	19			(82,118)			(36,810)

All of the results above relate to continuing activities

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

### Statement of total recognised gains and losses for the year ended 25 August 2012

	Note	2012 £'000	2011 £'000
Loss for the financial year	19	(82,118)	(36,810)
Actuarial gain	9	4,476	50,300
Deferred tax on actuarial gain		(3,006)	(15,679)
<b>Total recognised losses for the year</b>		(80,648)	(2,189)

## Bhs Limited

### Balance sheet as at 25 August 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	11	237,622	236,982
Investments	12	1,600	1,600
		<b>239,222</b>	<b>238,582</b>
<b>Current assets</b>			
Stocks	13	67,975	73,595
Debtors	14	66,740	64,940
Cash at bank and in hand		7,206	7,530
		<b>141,921</b>	<b>146,065</b>
<b>Creditors: amounts falling due within one year</b>	15	<b>(245,551)</b>	<b>(195,983)</b>
<b>Net current liabilities</b>		<b>(103,630)</b>	<b>(49,918)</b>
<b>Total assets less current liabilities</b>		<b>135,592</b>	<b>188,664</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(8,168)</b>	<b>(9,475)</b>
<b>Provisions for liabilities</b>			
Deferred tax	17	(11,408)	(17,599)
Other provisions	17	(123,225)	(82,189)
		<b>(134,633)</b>	<b>(99,788)</b>
<b>Net (liabilities) / assets excluding pension deficit</b>		<b>(7,209)</b>	<b>79,401</b>
<b>Pension deficit</b>	9	<b>(73,109)</b>	<b>(79,071)</b>
<b>Net (liabilities) / assets</b>		<b>(80,318)</b>	<b>330</b>
<b>Capital and reserves</b>			
Called up share capital	18	53,633	53,633
Share premium account	19	13,094	13,094
Profit and loss account	19	(147,045)	(66,397)
<b>Total shareholders' (deficit) / funds</b>	19	<b>(80,318)</b>	<b>330</b>

The financial statements on pages 4 to 20 were approved by the board of directors on 15 May 2013 and were signed on its behalf by

**P Budge**  
Director

# Bhs Limited

## Notes to the financial statements for the year ended 25 August 2012

### 1 Accounting policies

#### Accounting convention

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

The principal accounting policies are summarised in the following paragraphs

#### Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the Company's ultimate parent undertaking, Taveta Investments Limited

#### Turnover

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

#### Tangible fixed assets

Tangible fixed assets are included at cost less accumulated depreciation. 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

#### Impairment of fixed assets

Fixed asset values are reviewed, where there is an indication that their carrying value may have been impaired, in accordance with FRS 11 Impairment of fixed assets and goodwill. The recoverability of the business' fixed assets is determined by reference to the higher of their net realisable value and value in use. In this latter regard, value in use is assessed by reviewing the business' cash flows over the expected useful economic life of the fixed assets. These cash flows are then discounted using a rate of return appropriate to the business.

Where the carrying value of fixed assets exceeds their recoverable amount, impairment has occurred and their carrying value is written down accordingly. If subsequent reviews indicate that the assets are no longer impaired, the related provision will be reversed.

#### Investments

The Company's investment in its subsidiary undertakings is stated at cost less provisions for impairment.

#### Stocks

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

#### Leased assets

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

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

## **Bhs Limited**

### **Notes to the financial statements for the year ended 25 August 2012 (continued)**

#### **1 Accounting policies (continued)**

##### **Leased assets (continued)**

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

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

Where the Company has leasehold stores that are loss-making, and projections indicate that their future cash flows will be insufficient to meet the related property costs, provision is made for the expected net cash outflows. These cash flows are discounted using a rate of return appropriate to the business operating the stores.

##### **Taxation**

The taxation credit is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

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

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

##### **Post retirement benefits**

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

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

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

##### **Foreign currency**

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

##### **Cashflow statement**

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



## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 2 Segment information

Turnover is wholly attributable to the Group's principal activities and apart from £48,500,000 (2011 £43,600,000) arises in the United Kingdom. The Group's principal overseas markets are the UAE, Qatar and Saudi Arabia. In the opinion of the directors, the disclosure of segmental information relating to the business categories of net assets and geographical destination of results would be seriously prejudicial to the interests of the Company and has not therefore been provided.

#### 3 Exceptional items

	2012 £'000	2011 £'000
<b>Charged in arriving at operating loss</b>		
<b>Within cost of sales</b>		
Provision for onerous leases on loss-making stores (note 17)	44,598	72,055
Impairment of fixed assets	-	16,254
<b>Total exceptional items</b>	<b>44,598</b>	<b>88,309</b>

In light of the difficult trading conditions being experienced by the Company, the directors have reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations. Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, the date of disposal, has been provided for.

The resultant provision has been discounted to net present value, using an annual discount rate of 8%, to reflect management's assessment of the business' cost of capital.

As the Company has made a loss, impairment testing has been carried out to determine whether its future cash flows are expected to exceed the carrying value of its fixed assets.

The related value in use calculations were based on detailed internal forecasts for the next 12 months and thereafter reflect management's expectations of future trends and the results of specific actions being taken within the business. The cash flow projections extend over the average life of the related fixed assets and are discounted as detailed above.

To the extent that there is a shortfall between the business' expected discounted cash flows and the carrying value of its tangible fixed assets, the latter are regarded as impaired and have been provided against accordingly.

The tax credit arising on the exceptional items above is £11,225,000 (2011 £22,092,000).

#### 4 Interest receivable and similar income

	2012 £'000	2011 £'000
Other interest receivable	60	116

#### 5 Interest payable and similar charges

	2012 £'000	2011 £'000
<b>Interest payable on:</b>		
Bank overdrafts	-	207
Discount unwind on provisions	5,764	-
Finance leases	78	144
	<b>5,842</b>	<b>351</b>

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 6 Other income

	2012 £'000	2011 £'000
Dividend income	-	56,949

#### 7 Loss on ordinary activities before taxation

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation of owned assets	31,059	28,352
Depreciation of leased assets	334	366
Operating lease rentals - plant and equipment	1,475	2,647
- land and buildings	112,741	112,577
Fees payable to the Company's auditors for the audit of these financial statements pursuant to legislation (refer below)	-	-
Management charge from Arcadia Group Limited (refer below)	50,901	51,756

Arcadia Group Limited incurs distribution costs and administrative expenses (including auditors' remuneration) on behalf of the Company. Arcadia Group Limited levies a management charge in respect of the services it provides, which is included within administrative expenses.

#### 8 Staff costs

##### Employees

	2012 £'000	2011 £'000
Wages and salaries	115,688	117,684
Social security costs	7,939	7,087
Pension charge	2,724	2,073
	126,351	126,844

	2012 Number	2011 Number
<b>Average monthly number of employees</b>		
UK stores - Full-time	2,681	2,907
- Part-time	9,033	8,937
UK head office	569	557
	12,283	12,401

##### Directors' emoluments

None of the directors received any emoluments for their services to the company (2011 none)

##### Pensions

At the year end none of the directors were members of the Company's defined benefit schemes and therefore they had no accrued benefits.

**Notes to the financial statements for the year ended 25 August 2012 (continued)**

**9 Pension commitments**

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

**Contributions**

During the year ended 25 August 2012, the Company contributed £7,297,000 (2011 £7,500,000), including £nil (2011 £2,000,000) of prepaid contributions in respect of future years, to help repair the past service funding deficits identified during the schemes latest actuarial valuations, as at 31 March 2009. For the period ending 31 August 2013, the Company expects to contribute a further £10,621,000.

Contributions totalling £1,446,000 (2011 £1,473,000) were made to the defined contribution scheme during the year.

**Defined benefit schemes**

An actuarial valuation was carried out as at 25 August 2012, using the projected unit method, by Towers Watson Limited, professionally qualified actuaries. The principal assumptions made by the actuaries were:

	% per annum		
	2012	2011	2010
Rate of increase in pensions in payment			
- Pre 1 January 2006 service	2.6	3.1	2.9
- Post 1 January 2006 service	1.9	2.1	2.1
Rate of revaluation of deferred pensions in excess of GMP	1.6	2.25	3.0
Discount rate	4.6	5.3	4.9
RPI inflation	2.6	3.25	3.0
CPI inflation	1.6	2.25	N/a

The mortality assumptions used were:

	2012		2011	
	Staff scheme Years	Senior managers scheme Years	Staff scheme Years	Senior managers scheme Years
Life expectancy of current pensioner aged 60				
- Men	83.7	87.8	83.7	87.8
- Women	85.9	88.4	85.9	88.4
Life expectancy of future pensioner aged 45				
- Men	85.9	90.0	85.9	90.0
- Women	87.3	90.0	87.3	90.0

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 9 Pension commitments (continued)

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

	2012		2011	
	£m	% of total assets	£m	% of total assets
Equities	186.4	43.1	202.3	46.3
Debt securities	160.6	37.2	145.8	33.4
Property	61.9	14.3	70.3	16.1
Other	23.4	5.4	18.1	4.2
<b>Total market value of assets</b>	<b>432.3</b>	<b>100.0</b>	<b>436.5</b>	<b>100.0</b>
Present value of scheme liabilities	(527.2)		(541.9)	
Deficit in the schemes	(94.9)		(105.4)	
Related deferred tax asset	21.8		26.4	
<b>Net pension deficit recognised</b>	<b>(73.1)</b>		<b>(79.0)</b>	

The long term expected return on assets assumption for both schemes, for the period beginning 26 August 2012, is 5.40% pa (2011 6.6%) These assumptions have been set after consultation with the schemes' investment consultants based on the expected returns on the schemes' current asset allocations, having regard to the yields on corporate bonds and gilts and allowing for the expected out-performance of the property and equity portfolios over gilts

	2012	2011
	£m	£m
<b>Reconciliation of the fair value of the schemes' assets</b>		
Opening fair value	436.5	426.9
Expected return on scheme assets	27.8	26.5
Actuarial loss on scheme assets	(2.1)	(5.9)
Employer contributions	7.3	7.5
Administrative expenses paid	(0.6)	(0.6)
Net benefits paid out	(18.8)	(17.9)
Settlements	(17.8)	-
<b>Closing fair value</b>	<b>432.3</b>	<b>436.5</b>

The schemes' assets returned a gain of £25.7m (2011 £20.6m) during the year. The schemes do not invest in any of the Company's financial instruments or any properties occupied by the Company.

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 9 Pension commitments (continued)

	2012	2011
	£m	£m
<b>Reconciliation of the present value of the schemes' liabilities</b>		
Opening present value	541.9	588.7
Current service cost	0.6	0.6
Interest cost	27.7	27.3
Actuarial loss on scheme liabilities	(6.5)	(56.2)
Administrative expenses paid	(0.6)	(0.6)
Net benefits paid out	(18.8)	(17.9)
Settlements	(17.1)	-
<b>Closing present value</b>	<b>527.2</b>	<b>541.9</b>

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

	2012	2011
	£m	£m
<b>Analysis of amount charged to operating loss</b>		
<b>Current service cost</b>	<b>(0.7)</b>	<b>(0.6)</b>

The above operating charge is included within administrative expenses

	2012	2011
	£m	£m
<b>Analysis of amount credited / (charged) to other finance costs</b>		
Expected return on scheme assets	27.8	26.5
Interest on scheme liabilities	(27.7)	(27.3)
<b>Net credit / (cost)</b>	<b>0.1</b>	<b>(0.8)</b>

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 9 Pension commitments (continued)

Analysis of amount recognised in the statement of total recognised gains and losses	2012 £m	2011 £m
Actual return less expected return on the schemes' assets	(2.1)	(5.9)
Experience gains and losses arising on the schemes' liabilities	27.9	(1.3)
Changes in assumptions underlying the present value of the schemes' liabilities	(21.4)	57.5
<b>Actuarial gain recognised in the statement of total recognised gains and losses</b>	<b>4.4</b>	<b>50.3</b>

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 2004 is £41.0m (2011 £45.4m)

	25 August 2012 £m	27 August 2011 £m	28 August 2010 £m	29 August 2009 £m	29 March 2008 £m
<b>History of the schemes' (deficits) / surpluses</b>					
Fair value of the schemes' assets	432.3	436.5	426.9	394.5	432.2
Present value of the schemes' liabilities	(527.2)	(541.9)	(588.7)	(532.4)	(428.8)
<b>(Deficit) / surplus</b>	<b>(94.9)</b>	<b>(105.4)</b>	<b>(161.8)</b>	<b>(137.9)</b>	<b>3.4</b>

	25 August 2012	27 August 2011	28 August 2010	29 August 2009	29 March 2008
<b>History of amounts recognised in the STRGL</b>					
Actual return less expected return on scheme assets (£m)	(2.1)	(5.9)	20.4	(68.0)	(48.8)
Percentage of scheme assets (%)	(0.5)	(1.4)	4.8	(17.2)	(11.3)
Experience gains / (losses) on scheme liabilities (£m)	27.9	(1.3)	(1.5)	4.7	(5.3)
Percentage of scheme liabilities (%)	5.3	(0.2)	(0.3)	0.9	(1.2)
Total amount recognised in STRGL (£m)	4.4	50.3	(26.9)	(159.0)	32.9
Percentage of scheme liabilities (%)	0.9	9.3	(4.6)	(29.9)	7.7

#### Total pension charge

The Company's total pension charge, including other finance costs, for the year ended 25 August 2012 was £2,824,000 (2011 £2,873,000)

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 10 Tax on (loss)/profit on ordinary activities

	2012 £'000	2011 £'000
<b>a) Analysis of the tax credit for the year</b>		
<b>UK corporation tax at 25.2% (2011: 27.2%)</b>		
Current year	(29,215)	(32,364)
Prior year	-	(2,866)
<b>Total current tax (note 10b)</b>	<b>(29,215)</b>	<b>(35,230)</b>
<b>Deferred taxation</b>		
Deferred taxation – origination and reversal of timing differences (note 17)	(4,674)	(4,016)
<b>Total taxation</b>	<b>(33,889)</b>	<b>(39,246)</b>

The tax credit for the year is higher than the effective rate of UK corporation tax of 25.2% (2011: 27.2%). The differences are explained below

	2012 £'000	2011 £'000
<b>b) Factors affecting the tax credit for the year</b>		
Loss on ordinary activities before taxation	(116,007)	(76,056)
Loss on ordinary activities before taxation multiplied by the effective rate of UK corporation of 25.2% (2011: 27.2%)	(29,199)	(20,657)
<b>Effects of:</b>		
(Capital allowances in excess of depreciation) / depreciation in excess of capital allowances	(1,022)	2,382
Expenses not deductible for tax purposes	2,503	5,455
Income not taxable	-	(17,887)
Adjustments in respect of pension liabilities	(1,497)	(1,656)
Adjustment to the tax charge in respect of previous years	-	(2,867)
<b>Total current tax (note 10a)</b>	<b>(29,215)</b>	<b>(35,230)</b>

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

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed reductions to the main rate of corporation tax are both expected to be enacted as part of Finance Act 2013. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £1,356,000.

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 11 Tangible fixed assets

	Properties including fixed equipment			Fixtures, fittings & equipment £'000	Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000		
<b>Cost</b>					
At 28 August 2011	11,466	168,132	149,057	163,354	492,009
Additions	-	1,481	7,941	20,172	29,594
Disposals	-	-	(131)	14	(117)
<b>At 25 August 2012</b>	<b>11,466</b>	<b>169,613</b>	<b>156,867</b>	<b>183,540</b>	<b>521,486</b>
<b>Accumulated depreciation</b>					
At 28 August 2011	1,581	75,031	78,875	99,540	255,027
Charge for the year	103	5,092	6,760	19,438	31,393
Impairment charge for the year	-	(269)	(785)	(1,385)	(2,439)
Disposals	-	-	(131)	14	(117)
<b>At 25 August 2012</b>	<b>1,684</b>	<b>79,854</b>	<b>84,719</b>	<b>117,607</b>	<b>283,864</b>
<b>Net book value</b>					
<b>At 25 August 2012</b>	<b>9,782</b>	<b>89,759</b>	<b>72,148</b>	<b>65,933</b>	<b>237,622</b>
At 27 August 2011	9,885	93,101	70,182	63,814	236,982

Freehold properties include £2,001,000 (2011 £2,001,000) of freehold land, which is not depreciated

Fixtures, fittings and equipment includes assets held under finance lease agreements, with a net book value of £2,965,000 at 25 August 2012 (2011 £1,665,000) Depreciation charged during the year in respect of these assets amounted to £333,000 (2011 £366,000)



## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 12 Investments

Shares in subsidiary undertakings	Cost and net book value £'000
At 27 August 2011 and 25 August 2012	1,600

The Company has investments in the following subsidiary undertakings

Company	Country of incorporation	Principal activity	Holding	%
Bhs (Jersey) Limited*	Jersey	Retailing	Ordinary shares	100
Bhs Services Limited*	England & Wales	Inactive	Ordinary shares	100
Bhs (Hong Kong) Limited*	Hong Kong	Inactive	Ordinary shares	100
Epoch Properties Limited**	Jersey	Property Investment	Ordinary shares	100
Lowland Homes Limited*	England & Wales	Property Investment	Ordinary shares	100

\* held directly by Bhs Limited

\*\* held directly by subsidiary undertaking

Consolidated financial statements have not been prepared under Section 400 of the Companies Act 2006, as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares consolidated financial statements. In the opinion of the directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated.

#### 13 Stocks

	2012 £'000	2011 £'000
Goods for resale	67,975	73,595

#### 14 Debtors

	2012 £'000	2011 £'000
Trade debtors	17,486	14,272
Amounts owed by subsidiary undertaking	33,251	35,439
Other debtors	-	163
Prepayments and accrued income	16,003	15,066
	66,740	64,940

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

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

	2012 £'000	2011 £'000
Trade creditors	52,973	62,033
Amounts owed to group undertakings	147,040	87,975
Amounts owed to subsidiary undertakings	166	151
Obligations under finance leases	1,119	746
Taxation and social security	1,618	2,758
Other creditors	9,675	10,265
Accruals and deferred income	29,168	27,413
Landlords' contributions	3,792	4,642
	<b>245,551</b>	<b>195,983</b>

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

	2012 £'000	2011 £'000
Obligations under finance leases payable		
- Between one and five years inclusive	1,216	1,094
- After five years	-	11
Landlords' contributions (deferred income)	6,952	8,370
	<b>8,168</b>	<b>9,475</b>

#### 17 Provisions for liabilities

	Onerous leases £'000	Property remediation £'000	Deferred tax £'000	Total £'000
At 28 August 2011	73,133	9,056	17,599	99,788
Profit and loss account	(8,622)	(704)	(6,191)	(15,517)
Unwind of discount (note 5)	5,764	-	-	5,764
Provided during the year	44,598	-	-	44,598
<b>At 25 August 2012</b>	<b>114,873</b>	<b>8,352</b>	<b>11,408</b>	<b>134,633</b>

The onerous leases provision above comprises £113,408,000 (2011 £72,055,000) in respect of loss-making stores, £1,165,000 (2011 £778,000) for leasehold premises that are either vacant or sub-let at below the Company's rental obligation and a further £300,000 (2011 £300,000) for the disposal costs of a particular store

The provision for loss-making stores reflects the Company's ongoing commitment to pay property related costs in excess of the expected future operating cash flows from those stores. The provision is discounted at a rate of return of 8% per annum and will unwind as the leases expire or are disposed of by the Company

None of the other provisions above are discounted

## Bhs Limited

### Notes to the financial statements for the year ended 25 August 2012 (continued)

#### 17 Provisions for liabilities (continued)

##### Deferred taxation

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

	£'000
At 28 August 2011	(8,750)
Deferred tax credit in the profit and loss account (note 10)	(4,674)
Deferred tax charge in the statement of total recognised gains and losses	3,006
<b>At 25 August 2012</b>	<b>(10,418)</b>

	2012 £'000	2011 £'000
<b>Analysis of deferred tax balances recognised</b>		
Capital allowances	11,638	18,395
Other timing differences	(230)	(796)
Deferred tax provision excluding that relating to pension deficit	11,408	17,599
Deferred tax on pension deficit	(21,826)	(26,349)
	<b>(10,418)</b>	<b>(8,750)</b>

At the year end the Company had an unrecognised deferred tax asset of £726,000 (2011 £6,110,000) in respect of trading losses

#### 18 Called up share capital

	2012 £'000	2011 £'000
<b>Authorised</b>		
241,600,000 ordinary shares of 25 pence each	60,400	60,400
<b>Allotted and fully paid</b>		
214,530,881 ordinary shares of 25 pence each	53,633	53,633

## Notes to the financial statements for the year ended 25 August 2012 (continued)

## 19 Reconciliation of movements in total shareholders' funds

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total 2012 £'000	Total 2011 £'000
Loss for the financial year	-	-	(82,118)	(82,118)	(36,810)
Actuarial gain for the year	-	-	4,476	4,476	50,300
Deferred tax on actuarial gain	-	-	(3,006)	(3,006)	(15,679)
Net reduction in shareholders' funds	-	-	(80,648)	(80,648)	(2,189)
Opening shareholders' funds	53,633	13,094	(66,397)	330	2,519
Closing shareholders' (deficit) / funds	53,633	13,094	(147,045)	(80,318)	330

## 20 Financial commitments

## Operating leases

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

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

	2012		2011	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
Operating leases which expire				
within 1 year	1,207	139	1,128	665
between 2-5 years inclusive	2,301	567	842	983
after 5 years	106,388	252	93,382	229
	109,896	958	95,352	1,877

## Capital commitments

	2012 £'000	2011 £'000
Contracted for but not provided for	464	7,011

**21 Parent undertaking, controlling party and related party disclosures**

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

The Company's immediate parent company is BHS Group Limited.

During the year the Company paid rents totalling £11,298,000 (2011: £11,713,000) to Carmen Properties Limited and £nil (2011: £250,000) to Mildenhall Holdings Limited. Both of these companies are under the same ultimate control as the Company. All of these amounts had been settled at the year end.

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

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