

Bhs Limited

**Directors' report and financial statements
for the year ended 31 August 2013**

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Bhs Limited

Company Information

Directors	S Boyce P Budge I Grabiner Sir P Green C Harris
Company secretary	A Goldman
Company number	229606
Registered office	Colegrave House 70 Berners Street London W1T 3NL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds LS1 4JP

Bhs Limited

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Bhs Limited

Directors' report for the year ended 31 August 2013

The directors present their report and the audited financial statements of the Company for the year ended 31 August 2013.

Principal activities

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

Business review

During the year, 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 31 August 2013 is given on page 1 to the financial statements of that company.

During the year, the Company incurred an exceptional charge of £10,244,000 (2012: £44,598,000) in connection with the movement of a provision against the future leasing obligations of the Company's loss-making stores.

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.

Results and dividends

The loss for the financial year, amounted to £55,290,000 (2012: loss of £82,118,000).

The directors do not recommend the payment of a dividend in respect of the year (2012: £nil) and hence the retained loss for the financial year of £55,290,000 (2012: £82,118,000) has been deducted from reserves.

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.

Bhs Limited

Directors' report for the year ended 31 August 2013

Directors

The directors who served during the year and up to the date of signing of the financial statements were:

S Boyce (appointed 29 April 2013)
P Budge
I Grabiner
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.

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.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The ultimate parent company (Taveta Investment Limited) also purchased and maintained throughout the financial year directors' and officers liability insurance in respect of itself and its directors.

Directors' responsibilities statement

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.

Bhs Limited

Directors' report for the year ended 31 August 2013

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.

Provision of information to auditors

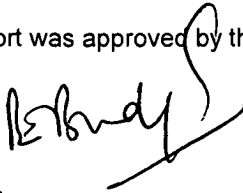
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report 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.

This report was approved by the board on 12 May 2014 and signed on its behalf by



**P Budge
Director**

Bhs Limited

Independent auditors' report to the members of Bhs Limited

We have audited the financial statements of Bhs Limited for the year ended 31 August 2013, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on pages 2 and 3, 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 directors 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 31 August 2013 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 matter 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.

Bhs Limited

Independent auditors' report to the members of Bhs Limited

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

16 May 2014

Bhs Limited

Profit and Loss Account for the year ended 31 August 2013

	Note	Before exceptional items £000	Exceptional items (note 3) £000	2013 Total £000	Before exceptional items £000	Exceptional items (note 3) £000	2012 Total £000
Turnover	2	675,653	-	675,653	699,769	-	699,769
Cost of sales		(667,999)	(10,244)	(678,244)	(709,602)	(44,598)	(754,200)
Gross Loss		7,654	(10,244)	(2,591)	(9,833)	(44,598)	(54,431)
Administrative expenses		(57,973)	-	(57,973)	(55,894)	-	(55,894)
Operating loss	4	(50,319)	(10,244)	(60,564)	(65,727)	(44,598)	(110,325)
Interest receivable and similar income		24	-	24	60	-	60
Interest payable and similar charges	8	(8,328)	-	(8,328)	(5,842)	-	(5,842)
Other finance (costs)/income		(744)	-	(744)	100	-	100
Loss on ordinary activities before taxation		(59,367)	(10,244)	(69,612)	(71,409)	(44,598)	(116,007)
Taxation	9			14,322			33,889
Loss for the financial year	19			(55,290)			(82,118)

All amounts relate to continuing operations.

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

Bhs Limited

Statement of total recognised gains and losses for the year ended 31 August 2013

	Note	2013 £000	2012 £000
Loss for the financial year		(55,290)	(82,118)
Actuarial (loss)/gain related to pension scheme	22	(50,032)	4,476
Deferred tax attributable to actuarial (loss)/gain	16	7,458	(3,006)
Total recognised losses relating to the year		<u>(97,864)</u>	<u>(80,648)</u>

Bhs Limited
Registered number: 229606

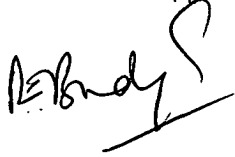
Balance sheet
as at 31 August 2013

	Note	£000	2013 £000	£000	2012 £000
Fixed assets					
Tangible assets	10		212,062		237,622
Investments	11		1,600		1,600
			<u>213,662</u>		<u>239,222</u>
Current assets					
Stocks	12	71,455		67,975	
Debtors	13	59,585		66,740	
Cash at bank and in hand		7,722		7,206	
		<u>138,762</u>		<u>141,921</u>	
Creditors: amounts falling due within one year	14	<u>(291,085)</u>		<u>(245,551)</u>	
Net current liabilities			<u>(152,323)</u>		<u>(103,630)</u>
Total assets less current liabilities			<u>61,339</u>		<u>135,592</u>
Creditors: amounts falling due after more than one year	15		(7,701)		(8,168)
Provisions for liabilities					
Deferred tax	16	(11,279)		(11,408)	
Other provisions	17	(111,226)		(123,225)	
			<u>(122,505)</u>		<u>(134,633)</u>
Net liabilities excluding pension deficit			<u>(68,867)</u>		<u>(7,209)</u>
Pension deficit	22		(109,315)		(73,109)
Net liabilities			<u>(178,182)</u>		<u>(80,318)</u>
Capital and reserves					
Called up share capital	18		53,633		53,633
Share premium account	19		13,094		13,094
Profit and loss account	19		(244,909)		(147,045)
Total shareholders' deficit	20		<u>(178,182)</u>		<u>(80,318)</u>

Bhs Limited

Balance sheet (continued) as at 31 August 2013

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 May 2014.

A handwritten signature in black ink, appearing to read 'P Budge', with a horizontal line underneath.

**P Budge
Director**

The notes on pages 10 to 25 form part of these financial statements.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, are set out below.

The Company is itself a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepared consolidated financial statements and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 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.

1.3 Cash flow

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

1.4 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.

1.5 Tangible fixed assets and depreciation

Fixed assets are stated at historic purchase 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

Of the categories set out above freehold buildings falls under land and buildings, all other categories relate to fit out, fixtures and equipment.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

1. Accounting policies (continued)

1.6 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. Fixed assets are attributed to individual businesses and the recoverability of each 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 related fixed assets. These cash flows are then discounted using a rate of return appropriate to the specific 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.

1.7 Investments

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

1.8 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.

1.9 Leased assets

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

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

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

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

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.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

1. Accounting policies (continued)

1.10 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.

1.11 Pension costs

The Company operates two 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.

1.12 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.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

2. Turnover

Turnover is wholly attributable to the Group's principal activities and apart from £53,379,000 (2012: 48,500,000) 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 businesses 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 cost of sales

	2013 £000	2012 £000
Provision for onerous leases on loss-making stores (note 17)	<u>10,244</u>	<u>44,598</u>

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 businesses cost of capital.

The tax credit arising on the exceptional item above is £2,418,000 (2012: £11,225,000).

4. Operating loss

The operating loss is stated after charging:

	2013 £000	2012 £000
Depreciation of tangible fixed assets:		
- owned by the company	25,286	31,059
- held under finance leases	660	334
Operating lease rentals:		
- plant and equipment	794	1,475
- land and buildings	92,724	112,741
Management charge from Arcadia Group Limited	<u>50,901</u>	<u>50,901</u>

Arcadia Group Limited, a fellow group undertaking, levies a management charge in respect of the services it provides, which is included within administrative expenses.

Arcadia Group Limited, a fellow group undertaking, incurs distribution costs and administrative expenses (including auditors' remuneration) on behalf of the Company.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

5. Staff costs

Staff costs were as follows:

	2013 £000	2012 £000
Wages and salaries	116,299	115,688
Social security costs	6,437	7,939
Pension costs (note 22)	1,602	2,724
	<u>124,338</u>	<u>126,351</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2013 No.	2012 No.
UK stores - Full time	2,489	2,681
UK stores - Part time	8,864	9,033
UK head office	586	569
	<u>11,939</u>	<u>12,283</u>

Directors' emoluments

None of the directors received any emoluments for their services to the Company (2012: 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 (2012: none).

6. Other finance (costs)/income

	2013 £000	2012 £000
Expected return on pension scheme assets (note 22)	23,048	27,820
Interest on pension scheme liabilities (note 22)	(23,792)	(27,720)
	<u>(744)</u>	<u>100</u>

7. Interest receivable and similar income

	2013 £000	2012 £000
Other interest receivable	24	60

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

8. Interest payable and similar charges

	2013 £000	2012 £000
On finance leases	(6)	78
Discount unwind on provisions (note 17)	8,334	5,764
	<u>8,328</u>	<u>5,842</u>

9. Tax on loss on ordinary activities

	2013 £000	2012 £000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on loss for the year	(16,153)	(29,215)
Deferred tax (see note 16)		
Origination and reversal of timing differences	1,831	(4,674)
Tax on loss on ordinary activities	<u>(14,322)</u>	<u>(33,889)</u>

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2012: higher than) the standard rate of corporation tax in the UK of 23.6% (2012: 25.2%). The differences are explained below:

	2013 £000	2012 £000
Loss on ordinary activities before tax	<u>(69,612)</u>	<u>(116,007)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.6% (2012: 25.2%)	(16,415)	(29,199)
Effects of:		
Expenses not deductible for tax purposes	2,498	2,503
Capital allowances in excess of depreciation	(271)	(1,022)
Adjustments in respect of pension liabilities	(1,965)	(1,497)
Current tax charge for the year (see note above)	<u>(16,153)</u>	<u>(29,215)</u>

Factors that may affect future tax charges

On 2 July 2013 changes to the main rate of UK corporation tax were substantively enacted as part of the Finance Act 2013. These changes will reduce the main rate from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015. Therefore within these financial statements, deferred tax assets and liabilities being realised or settled before 1 April 2014 have been measured at the 23% rate, those being realised or settled between 1 April 2014 and 1 April 2015 at the 21% rate, and those realised or settled after 1 April 2015 at the 20% rate.

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Notes to the financial statements for the year ended 31 August 2013

10. Tangible fixed assets

	Freehold properties £000	Long term Leasehold properties £000	Short leasehold properties £000	Fixtures, fittings and equipment £000	Total £000
Cost					
At 26 August 2012	11,466	169,613	156,867	183,540	521,486
Additions	(2)	91	1,091	5,614	6,794
Disposals	(2)	(244)	(10,954)	(3,143)	(14,343)
At 31 August 2013	<u>11,462</u>	<u>169,460</u>	<u>147,004</u>	<u>186,011</u>	<u>513,937</u>
Accumulated depreciation					
At 26 August 2012	1,684	79,854	84,719	117,607	283,864
Charge for the year	102	4,649	4,803	16,392	25,946
Disposals	(1)	(68)	(5,674)	(2,192)	(7,935)
At 31 August 2013	<u>1,785</u>	<u>84,435</u>	<u>83,848</u>	<u>131,807</u>	<u>301,875</u>
Net book value					
At 31 August 2013	<u>9,677</u>	<u>85,025</u>	<u>63,156</u>	<u>54,204</u>	<u>212,062</u>
At 25 August 2012	<u>9,782</u>	<u>89,759</u>	<u>72,148</u>	<u>65,933</u>	<u>237,622</u>

Properties include fixed equipment.

Freehold properties include £2,001,000 (2012: £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 £2,305,000 at 31 August 2013 (2012: £2,965,000). Depreciation charged during the year in respect of these assets amounted to £660,000 (2012: £333,000).

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

11. Fixed asset investments

	Shares in group undertakings £000
Cost and net book value	
At 26 August 2012 and 31 August 2013	<u>1,600</u>

At 31 August 2013, the Company owned the whole of the issued ordinary share capital of the group undertakings listed below:

Company	Country of operation	Country of registration	Activity
Bhs (Jersey) Limited	Jersey	Jersey	Retailing
Bhs Services Limited	United Kingdom	England	Dormant
Epoch Properties Limited*	Jersey	Jersey	Property investment
Lowland Homes Limited	United Kingdom	England	Property investment

* denotes indirect subsidiary

In the opinion of the directors the aggregate value of the Company's investments in its group undertakings is not less than the amount at which they are stated.

12. Stocks

	2013 £000	2012 £000
Goods for resale	<u>71,455</u>	<u>67,975</u>

13. Debtors

	2013 £000	2012 £000
Trade debtors	14,843	17,486
Amounts owed by subsidiary undertakings	30,547	33,251
Prepayments and accrued income	14,195	16,003
	<u>59,585</u>	<u>66,740</u>

Amounts owed by subsidiary undertakings are interest free, unsecured and repayable on demand.

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Notes to the financial statements for the year ended 31 August 2013

14. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	57,761	52,973
Amounts owed to group undertakings	176,179	147,040
Amounts owed to subsidiary undertakings	33	166
Obligations under finance leases	770	1,119
Other taxation and social security	4,685	1,618
Other creditors	21,484	9,675
Landlords' contributions	3,603	3,792
Accruals and deferred income	26,570	29,168
	<u>291,085</u>	<u>245,551</u>

Amounts owed by subsidiary undertakings are interest free, unsecured and repayable on demand.

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

	2013 £000	2012 £000
Obligations under finance leases	290	1,216
Accruals and deferred income	7,411	6,952
	<u>7,701</u>	<u>8,168</u>

Obligations under finance leases, included above, are payable as follows:

	2013 £000	2012 £000
Between one and five years	<u>290</u>	<u>1,216</u>

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

16. Deferred taxation

	2013 £000	2012 £000
At beginning of year	11,408	17,599
Profit and loss account	(129)	(6,191)
	<u>11,279</u>	<u>11,408</u>

The provision for deferred taxation is made up as follows:

	2013 £000	2012 £000
Accelerated capital allowances	11,279	11,638
Tax losses carried forward	-	(230)
	<u>11,279</u>	<u>11,408</u>

The deferred tax asset relating to the pension deficit is as follows:

	2013 £000	2012 £000
At beginning of year	(21,826)	(26,349)
Deferred tax charge in the profit and loss account	1,955	1,517
Deferred tax credit in the statement of total recognised gains and losses	(7,458)	3,006
	<u>(27,329)</u>	<u>(21,826)</u>

The movements on the deferred tax asset including those relating to the pension deficit are as follows:

	2013 £000	2012 £000
At beginning of year	(10,418)	(8,750)
Deferred tax charge in the profit and loss account	1,826	(4,674)
Deferred tax credit in the statement of total recognised gains and losses	(7,458)	3,006
	<u>16,050</u>	<u>(10,418)</u>

At the year end the Company had an unrecognised deferred tax asset of £631,000 (2012: £726,000) in respect of trading losses.

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Notes to the financial statements for the year ended 31 August 2013

17. Provisions

	Onerous leases £000	Property remediation £000	Total £000
At 26 August 2012	114,873	8,352	123,225
Profit & loss account	9,418	-	9,418
Utilised during the year	(20,154)	(358)	(20,512)
Property disposals	(9,239)	-	(9,239)
Discount unwind (note 8)	8,334	-	8,334
	<u>103,232</u>	<u>7,994</u>	<u>111,226</u>
At 31 August 2013	<u>103,232</u>	<u>7,994</u>	<u>111,226</u>

Onerous leases

The onerous leases provision above comprises £102,592,491 (2012: £113,408,000) in respect of loss-making stores and £639,202 (2012: £1,165,000) for leasehold premises that are either vacant or sub-let at below the Company's rental obligation.

The total onerous lease profit and loss charge for the year of £9,418,000 comprises £10,244,000 relating to the exceptional charge in note 3 and a credit of (£826,000) relating to vacant properties.

18. Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
214,530,881 (2012: 214,530,881) ordinary shares of £0.25 each	<u>53,633</u>	<u>53,633</u>

19. Reserves

	Share premium account £000	Profit and loss account £000
At 26 August 2012	13,094	(147,045)
Loss for the financial year	-	(55,290)
Pension reserve movement	-	(42,574)
	<u>13,094</u>	<u>(244,909)</u>
At 31 August 2013	<u>13,094</u>	<u>(244,909)</u>

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Notes to the financial statements for the year ended 31 August 2013

20. Reconciliation of movement in shareholders' deficit

	2013 £000	2012 £000
Opening shareholders' deficit	(80,318)	330
Loss for the financial year	(55,290)	(82,118)
Other recognised gains and losses during the year	(42,574)	1,470
Closing shareholders' deficit	<u>(178,182)</u>	<u>(80,318)</u>

21. Capital commitments

At 31 August 2013 the Company had capital commitments as follows:

	2013 £000	2012 £000
Contracted for but not provided in these financial statements	<u>1,476</u>	<u>464</u>

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

22. 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 31 August 2013, the Company contributed £9,791,000 (2012: £7,297,000) 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 2014, the Company expects to contribute a further £10,000,000.

Contributions totalling £1,602,000 (2012: £1,446,000) were made to the defined contribution scheme during the year.

Defined benefit schemes

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:

	2013 £000	2012 £000
Present value of scheme liabilities	(598,343)	(527,225)
Total market value of assets	461,698	432,278
Deficit in the schemes	(136,645)	(94,947)
Related deferred tax asset	27,330	21,838
Net pension deficit recognised	<u>(109,315)</u>	<u>(73,109)</u>

The long term expected return on assets assumption for both schemes, for the period beginning 31 August 2013, is 6.00% pa (2012: 5.40%). 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.

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:

	2013 £000	2012 £000
Current service cost	(713)	(634)
Interest on scheme liabilities	(23,792)	(27,720)
Expected return on scheme assets	23,048	27,820
	<u>(1,457)</u>	<u>(534)</u>

The above current service charge is included within administrative expenses.

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

22. Pension commitments (continued)

Reconciliation of the present value of the schemes' liabilities are as follows:

	2013 £000	2012 £000
Opening present value	527,225	541,927
Current service cost	713	634
Interest cost	23,792	27,720
Actuarial loss/(gain) on scheme liabilities	67,358	(6,523)
Net benefits paid out	(20,032)	(18,838)
Administrative expenses paid	(713)	(634)
Settlements	-	(17,061)
	<hr/>	<hr/>
Closing present value	598,343	527,225

Reconciliation of the fair value of schemes' assets are as follows:

	2013 £000	2012 £000
Opening fair value of scheme assets	432,278	436,485
Expected return on scheme assets	23,048	27,820
Actuarial gain/(loss) on scheme assets	17,326	(2,047)
Contributions by employer	9,791	7,297
Net benefits paid out	(20,032)	(18,838)
Administrative expenses paid out	(713)	(634)
Settlements	-	(17,805)
	<hr/>	<hr/>
	461,698	432,278

The schemes' assets returned a gain of £40,374,000 (2012: £25,773,000) during the year. The schemes do not invest in any of the Company's financial instruments or any properties occupied by the Company.

The cumulative amount of actuarial gains and losses recognised in the Statement of total recognised gains and losses since 2004 is a loss of £91,032,000 (2012: £41,000,000).

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities	50.20 %	43.10 %
Debt securities	33.50 %	37.20 %
Property	12.20 %	14.30 %
Other	4.10 %	5.40 %

Bhs Limited

Notes to the financial statements for the year ended 31 August 2013

22. Pension commitments (continued)

An actuarial valuation was carried out as at 31 August 2013, using the projected unit method, by Towers Watson Limited, professionally qualified actuaries. The principal assumptions made by the actuaries were:

	2013	2012
Rate of increase in pensions in payment:		
- Pre 1 January 2006 service	3.05 %	2.60 %
- Post 1 January 2006 service	2.00 %	1.90 %
Rate of revaluation of deferred pensions in excess of GMP	2.20 %	1.60 %
Discount rate	4.65 %	4.60 %
RPI inflation	3.30 %	2.60 %
CPI inflation	2.20 %	1.60 %

The morality assumptions used were:

	2013 Staff scheme years	2013 Senior managers scheme years	2012 Staff scheme years	2012 Senior managers scheme years
Life expectancy of current pensioner aged 60				
- Men	85.9	89.1	83.7	87.8
- Women	88.5	90.4	85.9	88.4
Life expectancy of future pensioner aged 45				
- Men	87.4	90.6	85.9	90.0
- Women	89.8	91.7	87.3	90.0

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Present value of the schemes' liabilities	(598,343)	(527,225)	(541,927)	(588,700)	(532,400)
Fair value of the schemes' assets	461,698	432,278	436,485	426,900	394,500
Deficit	<u>(136,645)</u>	<u>(94,947)</u>	<u>(105,442)</u>	<u>(161,800)</u>	<u>(137,900)</u>
Experience adjustments on scheme liabilities	(67,358)	6,523	56,200	(47,300)	(91,000)
Experience adjustments on scheme assets	<u>17,326</u>	<u>(2,047)</u>	<u>(5,900)</u>	<u>20,100</u>	<u>(68,000)</u>

Total pension charge

The Company's total pension charge, including other finance costs, for the year ended 31 August 2013 was £1,602,000 (2012: £2,824,000).

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Notes to the financial statements for the year ended 31 August 2013

23. Operating lease commitments

At 31 August 2013 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2013 £000	2012 £000	2013 £000	2012 £000
Expiry date:				
Within 1 year	1,052	1,207	139	139
Between 2 and 5 years	978	2,301	567	567
After more than 5 years	87,583	106,388	228	252

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

24. Related party transactions

During the year the Company paid rents totalling £10,851,000 (2012: £11,298,000) to Carmen Properties Limited, a company 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 Investments Limited group or investees of Taveta Investments Limited.

25. Parent undertaking and controlling party

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. Taveta is also 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.

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