

BHS GROUP LIMITED

**FINANCIAL STATEMENTS,
DIRECTORS' AND AUDITORS' REPORTS**

FOR THE 52 WEEKS ENDED 30 MARCH 2002



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24/06/02

COMPANY REGISTERED NUMBER: 3858895

BHS GROUP LIMITED

DIRECTORS' REPORT

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

Principal activity

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

Business review

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

During the financial period, operating profit (after amortisation of negative goodwill of £30,145,000 (2001: £77,456,000)) amounted to £127,997,000 (2001 (restated): £112,084,000) and the profit before taxation amounted to £172,319,000 (2001 (restated): £100,096,000). Net assets at the year end were £84,535,000 (2001 (restated): £102,755,000).

On 20 December 2001 the Directors paid interim dividends of £100,035,000 (2001: £nil). On 15 April 2002 the Directors proposed final dividends of £66,500,000 (2001: £nil). The group profit for the year after taxation is £148,315,000 (2001 (restated): £102,255,000).

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

Employee involvement

Incentive plans related to sales performance operate in stores, rewarding individual store team performance. Senior Managers participate in annual incentive plans which are related to company profits, departmental objectives and individual performance. This is an important part of the 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.

Disabled employees

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

BHS GROUP LIMITED
DIRECTORS' REPORT (CONTINUED)

Donations

The total amount donated for charitable purposes was £287,024 (2001: £45,022).

Directors and their interests

The directors who held office during the year were:

- P Green
- P Coackley
- I Allkins
- R Saunders
- C Coles (appointed 31 October 2001)

The interest of each of the directors and their immediate families in the issued share capital of Bhs Group Limited which has been notified to the company pursuant to Sections 324 or 328 of the Companies Act 1985 or which are required to be entered in the register of directors interests maintained by Bhs Group Limited pursuant to Section 325 of that Act as at 30 March 2002 are as follows:

Director	Number of ordinary shares
I Allkins	-
P Coackley	-
C Coles	-
P Green	1,900,000
R Saunders	10,000

Fixed assets

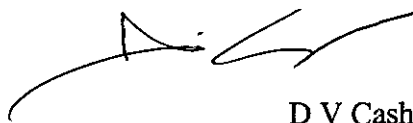
Information relating to changes in tangible fixed assets is shown in note 12 to the accounts.

The market value of freehold and long leasehold properties is, in the opinion of the directors, not likely to materially exceed book value. This view is based on an open market valuation which was carried out in April 2000 by independent property consultants.

Auditors

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

By Order of the Board



D V Cash
Company Secretary
13 June 2002

BHS GROUP LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company and of the profit and loss for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

BHS GROUP LIMITED

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

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

Respective responsibilities of directors and auditors

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

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

Basis of audit opinion

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

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

Opinion

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

KPMG

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

13 June 2002

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

	Note	52 weeks ended 30 March 2002 £000	76 weeks ended 31 March 2001 (restated) £000
Turnover	2	876,025	723,716
Cost of sales		(740,939)	(660,415)
Gross profit		135,086	63,301
Administration expenses before amortisation of negative goodwill		(17,234)	(11,537)
Amortisation of negative goodwill	11	<u>30,145</u>	<u>77,456</u>
Administration expenses after amortisation of negative goodwill		12,911	65,919
Distribution expenses		<u>(20,000)</u>	<u>(17,136)</u>
Operating profit		127,997	112,084
Profit on disposal of fixed assets	4	64,530	2,841
Other interest receivable and similar income	6	2,684	608
Interest payable	7	<u>(22,892)</u>	<u>(15,437)</u>
Profit on ordinary activities before taxation	3	172,319	100,096
Tax on profit on ordinary activities	8	<u>(24,004)</u>	<u>2,159</u>
Profit on ordinary activities after taxation		148,315	102,255
Dividends	9	<u>(166,535)</u>	<u>-</u>
Retained (loss)/profit for the year	20	<u>(18,220)</u>	<u>102,255</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Profit for the financial year	148,315	102,255
Prior year adjustment (see note 10)	<u>(5,517)</u>	<u>-</u>
Total gains and losses recognised since last financial statements	<u>142,798</u>	<u>102,255</u>

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

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

The notes on pages 9 to 25 form an integral part of these financial statements.

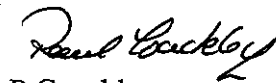
BHS GROUP LIMITED
GROUP BALANCE SHEET
AS AT 30 MARCH 2002

	Note	30 March 2002		31 March 2001 (restated)	
		£000	£000	£000	£000
Fixed assets					
Negative goodwill	11	(199,095)		(279,990)	
Tangible assets	12	<u>403,860</u>		<u>535,069</u>	
			204,765		255,079
Current assets					
Stocks	14	71,773		67,359	
Debtors recoverable within one year	15	37,793		34,123	
Debtors recoverable after more than one year	15	35,381		35,485	
Cash at bank and in hand		<u>112,213</u>		<u>5,428</u>	
		257,160		142,395	
Creditors: amounts falling due within one year	16	<u>(213,566)</u>		<u>(98,766)</u>	
Net current assets			<u>43,594</u>		<u>43,629</u>
Total assets less current liabilities			248,359		298,708
Creditors: amounts falling due after more than one year	17		(98,935)		(129,630)
Provisions for liabilities and charges					
Deferred tax	18	(50,617)		(55,045)	
Other provisions	18	<u>(14,272)</u>		<u>(11,278)</u>	
			<u>(64,889)</u>		<u>(66,323)</u>
Net assets			<u>84,535</u>		<u>102,755</u>
Capital and reserves					
Called up share capital	19		475		475
Share premium account	20		25		25
Profit and loss account	20		<u>84,035</u>		<u>102,255</u>
Equity shareholders' funds	21		<u>84,535</u>		<u>102,755</u>

Signed on behalf of the board of directors



I M Allkins



P Coackley

13 June 2002

The notes on pages 9 to 25 form an integral part of these financial statements.

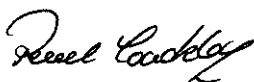
BHS GROUP LIMITED
COMPANY BALANCE SHEET
AS AT 30 MARCH 2002

	Note	30 March 2002 £000	31 March 2001 £000
Fixed assets			
Investments	13	82,668	82,668
Current assets			
Debtors	15	119,111	49,590
Creditors: Amounts falling due within one year	16	(106,054)	(18,061)
Total assets less current liabilities		95,725	114,197
Creditors: amounts falling due after more than one year	17	(91,988)	(122,774)
Net assets/(liabilities)		<u>3,737</u>	<u>(8,577)</u>
Capital and reserves			
Called up share capital	19	475	475
Share premium account	20	25	25
Profit and loss account	20	<u>3,237</u>	<u>(9,077)</u>
Equity shareholders' funds/(deficit)	21	<u>3,737</u>	<u>(8,577)</u>

Signed on behalf of the board of directors



I M Allkins



P Coackley

13 June 2002

The notes on pages 9 to 25 form an integral part of these financial statements.

BHS GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT

		2002		2001	
	Note	£000	£000	£000	£000
Net cash inflow from operating activities	22		143,948		90,962
Returns on investments and servicing of finance					
Interest received		2,294		608	
Interest paid		(9,541)		(11,686)	
Amounts paid to warrant holders (see note 19)		<u>(5,265)</u>		<u>-</u>	
Net cash outflow from returns on investments and servicing of finance			(12,512)		(11,078)
Taxation					
UK corporation tax (paid)/received		(9,808)		152	
Overseas corporate tax (paid)		<u>(202)</u>		<u>(558)</u>	
Total tax paid			(10,010)		(406)
Capital expenditure					
Purchase of tangible fixed assets		(12,279)		(14,680)	
Exceptional net proceeds of sale of tangible fixed assets		<u>105,351</u>		<u>9,510</u>	
Net cash inflow/(outflow) from capital expenditure			93,072		(5,170)
Acquisitions and disposals					
Purchase of Bhs business (net of cash acquired)			-		(37,889)
Equity dividends paid			(100,035)		<u>-</u>
Net cash inflow before financing			114,463		36,419
Financing					
Short term borrowings		15,000		94,300	
Long term borrowings		-		115,261	
Issue of share capital		-		500	
Issue of subordinated bond		-		19,500	
New finance leases		-		5,047	
Capital element of finance lease rental payments		(1,974)		(822)	
Repayment of short term borrowing		(5,000)		(94,300)	
Repayment of long term borrowing		(15,704)		-	
Repayment of subsidiaries short term borrowing on acquisition		<u>-</u>		<u>(170,477)</u>	
Net cash outflow from financing			<u>(7,678)</u>		<u>(30,991)</u>
Increase in cash in the year	23		<u>106,785</u>		<u>5,428</u>

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding year with the exception of the adoption of FRS 18 - "Accounting policies" which has had no significant impact and FRS 19 - "Deferred tax" which requires full provision for deferred tax in the current year. Prior year results have been restated to reflect this change in accounting policy. The accounting period covers the 52 weeks ended 30 March 2002. Comparative figures are as shown for the 76 weeks ended 31 March 2001.

Basis of preparation

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

Basis of consolidation

The group financial statements consolidate the financial statements of Bhs 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 period of stock turn and 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. Dividends receivable are credited to the company's profit and loss account.

Stocks

Stocks consist substantially of goods for resale and are stated at the lower of cost and net realisable value. Cost includes an appropriate element of overhead expenditure.

1. Accounting policies (continued)

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.

Taxation

The charge on taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

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

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

Debt

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

Pension costs

The cost of providing pensions is calculated using actuarial valuation methods which reflect the long-term costs. The amount charged to the profit and loss account is calculated so as to produce a substantially level percentage of the current and future pensionable payroll. Variations from the regular cost so calculated are allocated to the profit and loss account over the average remaining service lives of employees.

Foreign currency

Transactions 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. Turnover and segment information

The turnover and cost of sales for the period ended 31 March 2001 has been restated by £18,114,000 as a result of the reclassification of franchise sales. There is no effect on gross or retained profit.

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

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3. Profit on ordinary activities before taxation

	2002	2001
	£000	£000
Profit on ordinary activities before taxation after charging:		
Operating lease rentals - plant and equipment	3,348	3,460
- land and buildings	77,961	62,514
Profit on disposal of properties (see note 4)	64,530	2,841
Depreciation of owned assets	49,791	45,942
Auditor's remuneration - for group audit services	77	72
- for company audit services	10	7
- for other services	<u>38</u>	<u>55</u>

4. Profit on disposal of fixed assets

	2002	2001
	£000	£000
Profit on disposal of property	10,313	2,841
Goodwill amortisation relating to property disposal (see note 11)	<u>54,217</u>	<u>-</u>
	<u>64,530</u>	<u>2,841</u>

Gains on disposal of fixed assets are covered by capital losses and hence there is no associated tax charge.

5. Staff costs

Employees

	2002	2001
	£000	£000
Wages and salaries	102,381	80,937
Social security costs	5,372	4,004
Other pension costs	<u>4,490</u>	<u>3,679</u>
	<u>112,243</u>	<u>88,620</u>
	2002	2001
	Number	Number
UK stores - Full-time	2,941	2,937
- Part-time	10,369	9,529
UK head office	535	539
Overseas	<u>105</u>	<u>96</u>
	<u>13,950</u>	<u>13,101</u>

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

5. Staff costs (continued)

Directors' remuneration

	2002	2001
	£000	£000
Emoluments	3,986	1,184
Company contributions to money purchase pension schemes	<u>14</u>	<u>2</u>
Total emoluments	<u>4,000</u>	<u>1,186</u>

Pensions

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

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

Highest paid director

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

	2002	2001
	£000	£000
Emoluments	<u>1,700</u>	<u>869</u>

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

6. Interest receivable

	2002	2001
	£000	£000
Bank interest receivable	2,452	408
Other sundry income	<u>232</u>	<u>200</u>
	<u>2,684</u>	<u>608</u>

7. Interest payable

	2002	2001
	£000	£000
On bank loans and overdrafts	12,231	13,681
On other loans	1,717	1,385
Other interest payable	16	111
Warrant holder payments (see note 19)	8,765	-
Finance leases	<u>163</u>	<u>260</u>
	<u>22,892</u>	<u>15,437</u>

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. Taxation

	2002 £000	2001 (restated) £000
a) Analysis of the tax charge in the period		
UK corporation tax		
Profit of the period	28,233	488
Adjustment in respect of the previous period	40	-
Foreign tax		
Profit of the period	306	211
Adjustment in respect of the previous period	<u>(147)</u>	<u>338</u>
Total current tax	28,432	1,037
UK deferred tax		
Origination and reversal of timing differences (see note 10)	(4,428)	<u>(3,196)</u>
Tax on profit on ordinary activities	<u>24,004</u>	<u>(2,159)</u>

b) Factors affecting tax charge for the period

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

	2002 £000	2001 £000
Profit on ordinary activities before tax	<u>172,319</u>	<u>100,096</u>
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	51,696	30,029
Effects of:		
Accounting depreciation in excess of tax depreciation	5,153	2,559
Consolidation adjustments (including goodwill amortisation)	(7,900)	(18,787)
Other tax adjustments	1,768	(2,391)
Profits covered by available losses	(22,178)	(10,711)
Adjustments relating to prior year's corporation tax	<u>(107)</u>	<u>338</u>
Total current tax	<u>28,432</u>	<u>1,037</u>

c) Factors that may affect future tax charges

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

9. Dividends

	2002 £000	2001 £000
Interim dividend paid of £52.65 (2001: £nil) per ordinary share	100,035	-
Final dividend proposed of £35.00 (2001: £nil) per ordinary share	<u>66,500</u>	<u>-</u>
	<u>166,535</u>	<u>-</u>

10. Prior year adjustment

	Negative goodwill (Note 11)	Deferred tax (Note 18)	P&L reserve (Note 20)
Closing balance for 31 March 2001 as previously reported	(311,488)	(18,030)	(107,772)
Prior year adjustment for FRS 19 - recognition of deferred tax liability at acquisition	40,211	(40,211)	-
Restatement of 31 March 2001 negative goodwill amortisation	(8,713)	-	8,713
Restatement of 31 March 2001 deferred tax charge	-	3,196	(3,196)
Restated closing balances at 31 March 2001	<u>(279,990)</u>	<u>(55,045)</u>	<u>(102,255)</u>

It was previously the Group's policy, in compliance with SSAP 15 - "Accounting for deferred tax", to provide for deferred taxation where there was a reasonable probability that a liability would become payable in the foreseeable future. FRS 19 - "Deferred tax", which the Group has adopted this year, requires that a deferred tax liability should be provided on an asset recognised in respect of all timing differences, regardless of whether it is considered that there is a reasonable probability that such timing differences will reverse.

Under FRS 7 - "Fair values in acquisition accounting", Bhs Group Limited is required to restate the fair value of the businesses that it acquired at 22 May 2000 as if FRS 19 had been in force at that date. The impact of this is that an additional provision for deferred tax of £40,211,000 would have been recognised as part of the fair value of the net assets of these businesses. This therefore has had the impact of reducing the negative goodwill recognised on the acquisition by £40,211,000. The impact of this reduction in the negative goodwill on acquisition has led to a reduction in the amortisation of negative goodwill credited to the profit and loss account in the period to 31 March 2001 of £8,713,000.

The movement in the deferred tax liability for the period from acquisition date to 31 March 2001 was £3,196,000. This has been reflected in the restated profit and loss account for this period.

The net of the £40,211,000 and the £3,196,000 lead to the closing deferred tax provision at 31 March 2001 being increased by £37,015,000.

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. Negative goodwill

	£000
Cost	
At 31 March 2001 as previously reported	(397,657)
Prior year adjustment in respect of change in accounting policy (see note 10)	<u>40,211</u>
Negative goodwill on acquisition as restated	(357,446)
Fair value adjustment (see below)	<u>(3,467)</u>
 At 30 March 2002	 <u>(360,913)</u>
Amortisation	
At 31 March 2001 as previously reported	86,169
Prior year adjustment in respect of change in accounting policy (see note 10)	<u>(8,713)</u>
As restated	77,456
Release for the year	30,145
Disposal (see note 4)	<u>54,217</u>
 At 30 March 2002	 <u>161,818</u>
Net book value	
 Net book value at 30 March 2002	 <u>(199,095)</u>
 Net book value at 31 March 2001 (as restated)	 <u>(279,990)</u>

Under FRS7 - "Fair values in acquisition accounting", Bhs Group Limited is able to adjust the fair value in the financial year following the year of acquisition.

On acquisition Bhs Limited's balance sheet included a creditor of £3,467,000 to its former parent in respect of a disputed finance lease obligation. During the current year, the former parent agreed that this liability rested with it and not Bhs Limited. This release has therefore been treated as an adjustment to fair value.

12. Tangible fixed assets

	Properties including fixed equipment			Fixtures, fittings & equipment*	Total
	Freehold £000	Long leasehold £000	Short leasehold £000	£000	£000
GROUP					
Cost					
As at 1 April 2001	55,991	225,311	103,503	185,011	569,816
Additions	46	850	-	12,446	13,342
Reclassification	(930)	(3,238)	4,203	(35)	-
Disposals	(30,149)	(58,739)	(12,827)	(6,297)	(108,012)
As at 30 March 2002	<u>24,958</u>	<u>164,184</u>	<u>94,879</u>	<u>191,125</u>	<u>475,146</u>
Depreciation					
As at 1 April 2001	535	5,290	3,574	25,348	34,747
Charge	945	6,728	4,545	37,573	49,791
Reclassification	6	(968)	56	906	-
Disposals	(1,000)	(5,351)	(1,422)	(5,479)	(13,252)
As at 30 March 2002	<u>486</u>	<u>5,699</u>	<u>6,753</u>	<u>58,348</u>	<u>71,286</u>
Net book value					
As at 30 March 2002	<u>24,472</u>	<u>158,485</u>	<u>88,126</u>	<u>132,777</u>	<u>403,860</u>
As at 1 April 2001	<u>55,456</u>	<u>220,021</u>	<u>99,929</u>	<u>159,663</u>	<u>535,069</u>

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

Freehold properties includes £2,773,000 (2001: £18,854,000) of freehold land which is not depreciated.

Included in fixtures, fitting and equipment are assets held under finance lease agreements, with a net book value of £5,157,000 at 30 March 2002 (2001: £4,740,000). Depreciation charged during the year in respect of these assets amounted to £1,330,000 (2001: £1,476,000).

The company does not have any tangible fixed assets.

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13. Investments

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
At 31 March 2001	=	=	<u>82,668</u>	<u>82,668</u>

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

Company	Country of Incorporation	Principal Activity	Holding	%
Bhs Limited*	England & Wales	Retailing	Ordinary shares	100
Bhs Properties Limited*	England & Wales	Property investment	Ordinary shares	100
Bhs (Jersey) Limited**	Jersey	Retailing	Ordinary shares	100
Davenbush Limited*	England & Wales	Property investment	Ordinary shares	100
Bhs Services Limited**	England & Wales	Financial services	Ordinary shares	100
Bhs (Hong Kong) Limited**	Hong Kong	Inactive	Ordinary shares	100

* Held directly by Bhs Group Limited

** Held directly by subsidiary undertakings

14. Stock

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

The company does not hold any stock.

15. Debtors: recoverable within one year and after one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Trade debtors	4,782	7,801	-	-
Amounts owed by group undertakings	-	-	47,106	49,589
Other debtors	2,096	2,312	5	1
Pension surplus	2,548	5,139	-	-
Prepayments and accrued income	28,367	18,871	-	-
Dividend	-	-	<u>72,000</u>	-
	<u>37,793</u>	<u>34,123</u>	<u>119,111</u>	<u>49,590</u>

A pension surplus of £35,381,000 (2001: £35,280,000) and other debtors of £nil (2001: £205,000) are recoverable after more than one year.

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank overdraft	-	-	485	2,254
Bank loan	42,295	14,704	35,000	14,704
Trade creditors	44,668	38,365	-	-
Taxation and social security	20,857	3,224	-	-
Other creditors	5,531	4,287	-	-
Accruals and deferred income	25,879	32,800	569	1,103
Landlords' contributions	1,891	3,789	-	-
Proposed payment to warrant holders	3,500	-	3,500	-
Proposed dividends	66,500	-	66,500	-
Obligations under finance leases	<u>2,445</u>	<u>1,597</u>	<u>-</u>	<u>-</u>
	<u>213,566</u>	<u>98,766</u>	<u>106,054</u>	<u>18,061</u>

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

17. Creditors: amounts falling due after one year

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Bank loan	72,091	101,889	69,386	101,889
Subordinated bond	22,602	20,885	22,602	20,885
Taxation and social security	305	211	-	-
Landlords' contributions	1,886	4,017	-	-
Obligations under finance leases	<u>2,051</u>	<u>2,628</u>	<u>-</u>	<u>-</u>
	<u>98,935</u>	<u>129,630</u>	<u>91,988</u>	<u>122,774</u>

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

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

18. Provisions for liabilities and charges

	Deferred tax £000	Other provisions £000	Total £000
Balance at 31 March 2001 as previously reported	18,030	11,278	29,308
Prior year adjustment (see note 10)	<u>37,015</u>	-	<u>37,015</u>
Balance at 31 March 2001 as restated	55,045	11,278	66,323
Charge for the year	-	2,038	2,038
Utilised during the year	-	186	186
Reclassified from accruals	-	770	770
Release for the year	<u>(4,428)</u>	-	<u>(4,428)</u>
Balance at 30 March 2002	<u>50,617</u>	<u>14,272</u>	<u>64,889</u>
		2002	2001
		£000	£000

Deferred taxation

Provision in respect of:		
Pension surplus	11,379	12,126
Capital allowances	44,214	47,418
Other timing differences	<u>(4,976)</u>	<u>(4,499)</u>
	<u>50,617</u>	<u>55,045</u>

Other provisions

	Store closures £000	Other £000	Total £000
At beginning of the year	6,269	5,009	11,278
Charged to profit and loss account	22	2,016	2,038
Utilised during the year	245	(59)	186
Reclassified from accruals	<u>-</u>	<u>770</u>	<u>770</u>
At end of the year	<u>6,536</u>	<u>7,736</u>	<u>14,272</u>

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

Other provisions primarily relate to onerous lease provisions of £3,421,000 (2001: £2,109,000) and provision for dilapidations of £2,815,000 (2001: £2,900,000).

The company had no provisions at the year end.

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19. Share capital

	2002 £000	2001 £000
Authorised		
2,000,000 ordinary shares of 25p each	<u>500</u>	<u>500</u>
Allotted, called up and fully paid		
1,900,000 ordinary shares of 25p each	<u>475</u>	<u>475</u>

Bhs Group Limited have in issue warrants which entitle the warrant holders to subscribe for 100,000 ordinary shares. They enable the warrant holders to subscribe in cash for ordinary shares at the subscription price upon the occurrence of a change in control, sale, disposal or flotation. Warrant holders are entitled to a payment for each subscription share held equivalent to any dividend per share declared payable to shareholders. In the current year the warrant holders have become entitled to £8,765,000 (see note 7) equivalent to the total £87.65 dividend per share paid to shareholders (see note 9).

20. Reserves

	Group (restated) £000	Company £000
Share premium account		
At 1 April 2001 and 30 March 2002	<u>25</u>	<u>25</u>
Profit and loss account		
As at 1 April 2001	107,772	(9,077)
Prior year adjustment (see note 10)	<u>(5,517)</u>	<u>-</u>
As restated	102,255	(9,077)
Retained (loss)/profit for the year	<u>(18,220)</u>	<u>12,314</u>
As at 30 March 2002	<u>84,035</u>	<u>3,237</u>

21. Reconciliation of movements in shareholders' funds

	Group		Company	
	2002	2001 (restated)	2002	2001
	£000	£000	£000	£000
Profit/(loss) for the period	148,315	102,255	178,849	(9,077)
Dividends	<u>(166,535)</u>	<u>-</u>	<u>(166,535)</u>	<u>-</u>
	(18,220)	102,255	12,314	(9,077)
Issue of share capital	-	475	-	475
Issue of share premium	-	<u>25</u>	-	<u>25</u>
Net (reductions)/additions to shareholders' funds	(18,220)	102,755	12,314	(8,577)
Opening shareholders' funds (originally £108,272,000 before deducting the prior year adjustment of £5,517,000, see note 10)	<u>102,755</u>	<u>-</u>	<u>(8,577)</u>	<u>-</u>
Closing shareholders' funds	<u>84,535</u>	<u>102,755</u>	<u>3,737</u>	<u>(8,577)</u>

BHS GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS

22. Reconciliation of operating profit to net cash inflow from operating activities

	2002 £000	2001 (restated) £000
Operating profit	127,997	112,084
Depreciation charge	49,791	45,942
Amortisation of negative goodwill	(30,145)	(77,456)
Amortisation of pension surplus	2,415	2,707
(Increase)/decrease in stock	(4,414)	13,583
Increase in debtors	(5,581)	(16,020)
Increase in creditors and provisions	<u>3,885</u>	<u>10,122</u>
Net cash inflow from operating activities	<u>143,948</u>	<u>90,962</u>

23. Reconciliation of net cash flow to movement in net debt

	£000	£000
Increase in cash during the year	106,785	
Cashflow inflow from increase in debt and lease finance	<u>7,678</u>	
		114,463
New finance lease		(2,245)
Other non cash items		<u>(5,214)</u>
Movement in net debt in the year		107,004
Net debt at 1 April 2001		<u>(136,275)</u>
Net debt at 30 March 2002		<u>(29,271)</u>

24. Analysis of changes in net debt

	1 April 2001 £000	Cashflow £000	Other non cash changes £000	30 March 2002 £000
Cash in hand, at bank	5,428	106,785	-	112,213
Debt due after one year	(122,774)	32,969	(4,888)	(94,693)
Debt due within 1 year	(14,704)	(27,265)	(326)	(42,295)
Finance leases	<u>(4,225)</u>	<u>1,974</u>	<u>(2,245)</u>	<u>(4,496)</u>
	<u>(136,275)</u>	<u>114,463</u>	<u>(7,459)</u>	<u>(29,271)</u>

Major non cash transaction

During the year the group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of £2,245,000.

25. Financial commitments

Loans

	2002		2001	
	Bank loan £000	Sub- ordinated bond £000	Bank loan £000	Sub- ordinated bond £000
Group				
Within one year	42,500	-	15,000	-
Between one year and two years	37,500	-	35,000	-
Between two years and five years	<u>35,000</u>	<u>28,975</u>	<u>70,000</u>	<u>28,975</u>
	<u>115,000</u>	<u>28,975</u>	<u>120,000</u>	<u>28,975</u>
Company				
Within one year	35,000	-	15,000	-
Between one year and two years	35,000	-	35,000	-
Between two years and five years	<u>35,000</u>	<u>28,975</u>	<u>70,000</u>	<u>28,975</u>
	<u>105,000</u>	<u>28,975</u>	<u>120,000</u>	<u>28,975</u>

The subordinated bond was issued in May 2000 at £19,500,000 and interest is accrued at a rate of 8% until maturity in May 2005 when £28,975,000 will become payable.

Operating leases

The group leases certain land and buildings on short and long term leases. The rents payable on these leases are subject to negotiation at various intervals specified in the leases. Annual commitments under non-cancellable operating leases are as follows:

	2002		2001	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	3,005	-	1,091
Within two to five years	1,191	1,386	869	4,151
After five years	<u>85,071</u>	<u>1,031</u>	<u>73,233</u>	<u>76</u>
	<u>86,262</u>	<u>5,422</u>	<u>74,102</u>	<u>5,318</u>

Finance leases

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

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

BHS GROUP LIMITED
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25. Financial commitments (continued)

Capital commitments

	2002 £000	2001 £000
Contracted for but not provided for - Group	10,023	10,549
- Company	<u>-</u>	<u>-</u>

Guarantees

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

26. Pension costs (SSAP 24)

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

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

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

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

Actuarial Valuation

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

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

The total pension cost for the group is £4,490,000 (2001: £3,679,000).

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

27. **Pension costs (FRS 17 - disclosure)**

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP 24. A new pension cost accounting standard FRS 17 - "Retirement benefits", has to be fully implemented by 2004. However, under transitional arrangements of FRS 17 the Group is required to disclose the following information about the group scheme and the figures that would have been shown under FRS 17 in the current balance sheet.

The Group operates two defined benefit schemes for its employees. The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations at 31 March 2000 and updated by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 March 2002.

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

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

The assets in the scheme were:

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

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

Net assets

Net assets excluding pension asset and related deferred tax liability	58.0
Net pension asset under FRS 17	<u>12.2</u>
Net assets including pension asset	<u>70.2</u>

Reserves note

Profit and loss account reserves excluding pension asset and related deferred tax liability	57.5
Net pension asset under FRS 17	<u>12.2</u>
Profit and loss reserve including pension asset	<u>69.7</u>

BHS GROUP LIMITED
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28. Ultimate controlling party

P Green and his 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.

29. Related parties

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

On 20 December 2001 the group entered into a sale and leaseback transaction by selling its interest in certain properties to Carmen Properties Limited for £105,875,000. Carmen Properties Limited is a company under the same ultimate control as Bhs Group Limited. The transaction was completed at arms length using market values. The group realised a gain of £11,027,000 after costs and before the impact of negative goodwill amortisation. The value of rental transactions in the year amounted to £5,867,000. There are no amounts due to or from Carmen Properties Limited at the year end.

The subordinated bond (notes 17 and 25) is held by a company that is ultimately controlled by P Green and his immediate family.