

# **BHS GROUP LIMITED**

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

**FOR THE 52 WEEKS ENDED 1 APRIL 2006**



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**COMPANY REGISTERED NUMBER: 3858895**

**BHS GROUP LIMITED**  
**DIRECTORS' REPORT**

The directors submit their report on the financial statements for the 52 weeks ended 1 April 2006.

**Principal activity**

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

**Business review**

During the financial year, operating profit (after amortisation of negative goodwill of £8,400,000 (2005: £15,153,000)) amounted to £51,470,000 (2005: (restated) £114,187,000) and the profit before taxation amounted to £42,264,000 (2005: (restated) £106,709,000). The group profit for the year after taxation was £30,850,000 (2005: (restated) £79,767,000). Net assets at the year end were £48,923,000 (2005: (restated) £10,911,000). Net debt at the end of the year was £141,860,000 (2005: £121,555,000)

The reduced operating profit reflects a significantly higher level of mark down due to changes in product direction together with a tougher current market.

During the year the business acquired 6 ex-Littlewoods and 4 new build stores were opened, bringing the total trading stores to 180. Of the 9 home stores acquired from the Allders chain in March 2005, 8 out of town sites have been re-branded as British Home Stores and one store has been refurbished and re-branded as a Bhs high street store. A major refit of one home store has been completed with a further 2 stores nearing completion at the year end. In addition the business acquired the freehold of the store in Jersey and purchased a freehold office building in central London.

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

The directors believe that the business is in strong position to deliver on these objectives.

During the year the group adopted FRS 17 as the basis of accounting for pensions. This required the restatement of comparative results. The profit before tax for the 53 weeks ended 2 April 2005 was previously reported as £109,530,000.

Following a review of the company's pension arrangements the defined benefit schemes were closed to employees joining the company after 29 July 2005. A new defined contribution scheme has been introduced which should provide greater certainty in future as to the cost of pension provision.

On 19 May 2005 the unsecured discounted subordinated bond matured and the group paid the total outstanding of £28,975,000.

The company paid no interim dividend (2005: £nil). The directors do not propose a final dividend (2005: £nil).

**BHS GROUP LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**Directors and their interests**

The directors who served during the year were:

- P Green
- P Coackley
- I M Allkins
- C Coles

The interests of P Green and his immediate family 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 1 April 2006 are 1,900,000 ordinary shares (2005: 1,900,000). None of the other directors have an interest in shares of the company.

**Fixed assets**

The groups tangible fixed assets are included in the financial statements at depreciated historic cost. The properties are employed in the business and many of them were acquired when market values were substantially lower than at present. The directors consider that a surplus over book value exists, but are unable to quantify this excess.

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

**Donations**

The total amount donated for charitable purposes was £238,000 (2005: £801,000).

**BHS GROUP LIMITED**  
**DIRECTORS' REPORT (CONTINUED)**

**Disclosure of information to auditors**

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

**Auditors**

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

By Order of the Board



D V Cash  
Company Secretary  
12 July 2006

**BHS GROUP LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT  
AND THE FINANCIAL STATEMENTS**

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

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

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

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

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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHS GROUP LIMITED**

We have audited the group and parent company financial statements ("the financial statements") of Bhs Group Limited for the year ended 1 April 2006 which comprise the group profit and loss account, the group and company balance sheet, the group cash flow statement, the group statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

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

The Directors' responsibilities for preparing the group and company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), are set out in the Statement of Directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

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

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practice 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BHS GROUP LIMITED (CONTINUED)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company affairs as at 1 April 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG LLP*

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12 July 2006

KPMG LLP  
Chartered accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB

**BHS GROUP LIMITED**  
**GROUP PROFIT AND LOSS ACCOUNT**  
**FOR THE 52 WEEKS ENDED 1 APRIL 2006**

	Note	52 weeks ended 1 April 2006 £000	53 weeks ended 2 April 2005 (restated) £000
<b>Turnover</b>	2	860,539	889,222
Cost of sales		<u>(780,341)</u>	<u>(754,465)</u>
<b>Gross profit</b>		80,198	134,757
Administrative expenses before amortisation of negative goodwill		(11,891)	(11,155)
Amortisation of negative goodwill	10	<u>8,400</u>	<u>15,153</u>
Administrative expenses after amortisation of negative goodwill		(3,491)	3,998
Distribution costs		<u>(25,237)</u>	<u>(24,568)</u>
<b>Operating profit</b>		51,470	114,187
Profit on disposal of fixed assets	3	-	307
Other interest receivable and similar income	4	2,665	5,478
Interest payable and similar charges	5	<u>(11,871)</u>	<u>(13,263)</u>
<b>Profit on ordinary activities before taxation</b>	6	42,264	106,709
Tax on profit on ordinary activities	9	<u>(11,414)</u>	<u>(26,942)</u>
<b>Retained profit for the financial year</b>	19	<u>30,850</u>	<u>79,767</u>

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

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

Following the group's adoption of FRS 17 as the basis of accounting for pensions, the comparative results have been restated. For the 53 weeks ended 2 April 2005 the restated profit on ordinary activities before taxation of £106,709,000 was previously stated as £109,530,000.

The notes on pages 12 to 30 form an integral part of these financial statements.



**BHS GROUP LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE 52 WEEKS ENDED 1 APRIL 2006**

	<b>Note</b>	<b>52 weeks ended 1 April 2006 £000</b>	<b>53 weeks ended 2 April 2005 (restated) £000</b>
Retained profit for the financial year	20	30,850	79,767
Actuarial gain	8	10,232	10,040
Deferred tax on actuarial gain		<u>(3,070)</u>	<u>(3,012)</u>
<b>Total recognised gains and losses relating to the period</b>		38,012	86,795
Prior period adjustment		<u>(81,242)</u>	<u>—</u>
<b>Total recognised gains and losses</b>		<u>43,230</u>	<u>86,795</u>

The notes on pages 12 to 30 form an integral part of these financial statements.

**BHS GROUP LIMITED**  
**GROUP BALANCE SHEET**  
**AS AT 1 APRIL 2006**

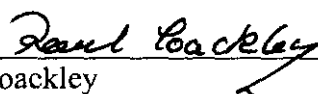
	Note	1 April 2006		2 April 2005 (restated)	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Negative goodwill	10	(120,919)		(129,319)	
Tangible assets	11	<u>381,490</u>		<u>340,556</u>	
			260,571		211,237
<b>Current assets</b>					
Stocks	13	72,077		79,202	
Debtors	14	39,454		33,693	
Cash at bank and in hand		<u>~</u>		<u>67,331</u>	
		111,531		180,226	
<b>Creditors: amounts falling due within one year</b>	15	<u>(107,375)</u>		<u>(167,496)</u>	
<b>Net current assets</b>			<u>4,156</u>		<u>12,730</u>
<b>Total assets less current liabilities</b>			264,727		223,967
<b>Creditors: amounts falling due after more than one year</b>	16		(132,440)		(124,345)
<b>Provisions for liabilities and charges</b>					
Deferred tax	17	(27,830)		(29,033)	
Other provisions	17	<u>(6,744)</u>		<u>(7,366)</u>	
			<u>(34,574)</u>		<u>(36,399)</u>
<b>Net assets before pension liability</b>			97,713		63,223
Pension liability	8		<u>(48,790)</u>		<u>(52,312)</u>
<b>Net assets</b>			<u>48,923</u>		<u>10,911</u>
<b>Capital and reserves</b>					
Called up share capital	18		475		475
Share premium account	19		25		25
Profit and loss account	19		<u>48,423</u>		<u>10,411</u>
<b>Equity shareholders' funds</b>	20		<u>48,923</u>		<u>10,911</u>

Following the group's adoption of FRS 17 as the basis of accounting for pensions, total net assets at 2 April 2005 have been restated. The restated value of total net assets of £10,911,000 was previously stated as £87,099,000.

Signed on behalf of the board of directors



I M Allkins



P Coackley

12 July 2006

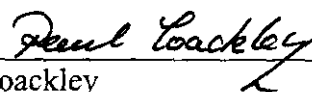
**BHS GROUP LIMITED**  
**COMPANY BALANCE SHEET**  
**AS AT 1 APRIL 2006**

		1 April 2006		2 April 2005	
	Note	£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	12		82,668		82,668
<b>Current assets</b>					
Debtors	14	59,721		116,404	
<b>Creditors: amounts falling due within one year</b>	15	(18,164)		(71,970)	
<b>Net current assets</b>			<u>41,557</u>		<u>44,434</u>
<b>Total assets less current liabilities</b>			124,225		127,102
<b>Creditors: amounts falling due after more than one year</b>	16		(119,294)		(119,233)
<b>Net assets</b>			<u>4,931</u>		<u>7,869</u>
<b>Capital and reserves</b>					
Called up share capital	18		475		475
Share premium account	19		25		25
Profit and loss account	19		<u>4,431</u>		<u>7,369</u>
<b>Equity shareholders' funds</b>	20		<u>4,931</u>		<u>7,869</u>

Signed on behalf of the board of directors



I M Allkins



P Coackley

12 July 2006

**BHS GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**

			2006	2005
	Note	£000	£000	(restated) £000
<b>Net cash inflow from operating activities</b>	21		102,122	146,764
<b>Returns on investments and servicing of finance</b>				
Interest received		1,480		3,152
Interest paid		(18,706)		(10,795)
Issue costs of loan		(860)		-
Amounts paid to warrant holders (see note 18)		<u>(1,449)</u>		<u>(2,250)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>			(19,535)	(9,893)
<b>Taxation</b>				
UK corporation tax paid		(25,868)		(37,049)
Overseas corporation tax paid		<u>(30)</u>		<u>(576)</u>
<b>Total tax paid</b>			(25,898)	(37,625)
<b>Capital expenditure</b>				
Purchase of tangible fixed assets			(79,031)	(35,623)
<b>Equity dividends paid</b>			-	(42,750)
<b>Net cash (outflow)/inflow before financing</b>			(22,342)	20,873
<b>Financing</b>				
Long term loan		120,000		-
Capital element of finance lease rental		(665)		(450)
Repayment of long term loan		<u>(179,500)</u>		<u>(40,000)</u>
<b>Net cash outflow from financing</b>			(60,165)	(40,450)
<b>Decrease in cash in the year</b>	22		<u>(82,507)</u>	<u>(19,577)</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 except where stated under the "change in accounting policies" heading. The accounting period covers the 52 weeks ended 1 April 2006. Comparative figures are as shown for the 53 weeks ended 2 April 2005.

**Basis of preparation**

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

**Change in accounting policies**

The group has adopted FRS 17 "Retirement benefits" in these financial statements. The adoption of this standard represents a change in accounting policy and requires a restatement of comparative figures. The method of accounting for pensions under FRS 17 is included under the "pension costs" heading below.

**Basis of consolidation**

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

As permitted by Section 230(4) of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

**Turnover**

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

**Goodwill**

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

**Tangible fixed assets**

Tangible fixed assets are included at cost less accumulated depreciation. Freehold land is not depreciated. Depreciation on other fixed assets is charged on a straight-line basis over the following periods:

Freehold buildings	-	50 years
Fixed equipment in freehold buildings	-	up to 20 years
Leasehold improvements	-	the shorter of 35 years and the period of the lease
Fixtures, fittings and equipment	-	3 to 10 years

**Investments**

The company's investments in subsidiary undertakings are stated at cost less provisions for impairment. Dividends receivable are credited to the company's profit and loss account.

**1. Accounting policies (continued)**

**Stocks**

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

**Leased assets**

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

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

**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 exception:

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

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

**Debt**

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The 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 operating and financing costs of pensions are charged to the profit and loss in the period in which they arise and are recognised separately. The costs of past service benefit enhancement, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, are recognised in the statement of total recognised gains and losses. The pension costs is assessed in accordance with the advice of independent qualified actuaries.

**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.

**BHS GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****2. Segment information**

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

**3. Profit on disposal of fixed assets**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Profit on disposal of property	<u>-</u>	<u>307</u>

**4. Other interest receivable and similar income**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated) £000</b>
Bank interest receivable	1,071	2,757
Other sundry income	94	142
Other finance income (see note 8)	<u>1,500</u>	<u>2,579</u>
	<u>2,665</u>	<u>5,478</u>

**5. Interest payable and similar charges**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Bank loans and overdrafts	9,682	10,881
Other loans	337	2,211
Other interest payable	206	144
Warrantholders payment (see note 18)	1,449	-
Finance leases	<u>197</u>	<u>27</u>
	<u>11,871</u>	<u>13,263</u>

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

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before taxation after charging:		
Operating lease rentals - plant and equipment	5,176	5,123
- land and buildings	102,702	93,704
Profit on disposal of fixed assets	-	(307)
Depreciation of owned assets	40,462	41,980
Depreciation of leased assets	1,458	594
Auditor's remuneration - for group audit services	97	86
- for company audit services	15	15
(included in above total)		
- for tax services	38	38
- for other services	<u>47</u>	<u>73</u>

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Staff costs**

**Employees**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
Wages and salaries	119,319	110,197
Social security costs	7,026	6,539
Other pension costs	<u>12,355</u>	<u>12,050</u>
	<u>138,700</u>	<u>128,786</u>

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
UK stores - Full-time	2,995	2,952
- Part-time	10,626	10,857
UK head office	771	709
Overseas	<u>78</u>	<u>75</u>
	<u>14,470</u>	<u>14,593</u>

**Directors' emoluments**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Emoluments	1,240	2,751
Company contributions to money purchase pension schemes	<u>61</u>	<u>68</u>
Total emoluments	<u>1,301</u>	<u>2,819</u>

**Pensions**

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

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Money purchase schemes	<u>2</u>	<u>2</u>
Defined benefit schemes	<u>2</u>	<u>2</u>



**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**7. Staff costs (continued)**

**Employees (continued)**

**Highest paid director**

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

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Emoluments	<u>564</u>	<u>1,962</u>

The highest paid director was a member of the company defined benefit pension scheme and a member of a separate money purchase scheme. At the year end that accrued pension was £21,000 (2005: £17,000) per annum and the accrued lump sum was £183,000 (2005: £136,000).

**8. Pension costs**

The group has adopted FRS 17 "Retirement Benefits" in full for the year ended 1 April 2006. For the year ended 2 April 2005, the group accounted for retirement benefits under SSAP 24 and gave disclosures under the FRS 17 transitional arrangements.

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 2003 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 1 April 2006. The contribution made by the group amounted to 11.3% of pensionable pay and it has been agreed that contributions will remain at this level until the results of the triennial valuation are confirmed by the actuary.

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

	<b>1 April 2006</b>	<b>2 April 2005</b>	<b>27 March 2004</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Rate of increase in salaries	4.8	4.9	4.9
Rate of increase of pensions in payment	2.8	2.9	2.9
Rate of increase of deferred pensions	2.8	2.9	2.9
Discount rate	5.0	5.4	5.5
Inflation assumption	2.8	2.9	2.9

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Pension costs (continued)**

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

	Long term expected rate of return %	Value at 1 April 2006 £m	Long term expected rate of return %	Value at 2 April 2005 £m	Long term expected rate of return %	Value at 27 March 2004 £m
Equities	7.8	214.1	8.1	173.4	8.5	192.1
Bonds	4.9	86.5	5.4	79.9	5.4	62.3
Gilts	4.3	34.1	4.7	31.7	7.5	17.1
Property	6.7	96.4	7.0	74.4	7.5	49.0
Other	3.9	6.2	3.9	8.7	3.9	11.8
Total market value of assets		437.3		368.1		332.3
Present value of scheme liabilities		(507.0)		(442.8)		(413.1)
Deficit in the scheme		(69.7)		(74.7)		(80.8)
Related deferred tax asset		20.9		22.4		24.2
<b>Net pension liability</b>		<u>(48.8)</u>		<u>(52.3)</u>		<u>(56.6)</u>

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

	1 April 2006 £m	1 April 2005 (restated) £m
Current service cost	(12.3)	(12.0)
Past service cost	—	—
<b>Total operating charge</b>	<u>(12.3)</u>	<u>(12.0)</u>

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

	1 April 2006 £m	2 April 2005 (restated) £m
Expected return on pension scheme assets	25.0	24.9
Interest cost	(23.5)	(22.3)
<b>Net return</b>	<u>1.5</u>	<u>2.6</u>

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. Pension costs (continued)**

An analysis of amounts which are recognised in the Statement of total recognised gains and losses (STRGL) is as follows:

	1 April 2006 £m	2 April 2005 (restated) £m
Annual return less expected return on pension scheme assets	50.6	16.2
Experience (losses)/gains arising on scheme liabilities	(10.6)	3.1
Changes in financial assumptions underlying the scheme liabilities	(29.8)	(9.3)
Actuarial gain recognised in STRGL	<u>10.2</u>	<u>10.0</u>

An analysis of the movement in the pension liability is as follows:

	2006 £000	2005 (restated) £000
At 2 April 2005 (restated)	(74,732)	(80,816)
Service costs	(12,300)	(12,049)
Other finance income	1,500	2,579
Contributions	5,600	5,514
Actuarial gain	<u>10,232</u>	<u>10,040</u>
At 1 April 2006	(69,700)	(74,732)
Related deferred taxation	<u>20,910</u>	<u>22,420</u>
Net pension liability	<u>(48,790)</u>	<u>(52,312)</u>

	1 April 2006 £m	2 April 2005 £m	27 March 2004 £m
<b>History of amounts recognised in STRGL</b>			
Actual return less expected return on scheme assets	50.6	16.2	39.3
Percentage of scheme assets	12%	4%	12%
Experience (losses)/gains on scheme liabilities	(10.6)	3.1	(14.1)
Percentage of scheme liabilities	2%	(1)%	3%
Total amount recognised in STRGL	10.2	10.0	(0.7)
Percentage of scheme liabilities	2%	2%	0%

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**9. Taxation**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
<b>a) Analysis of the tax charge in the year</b>		
<b>UK corporation tax</b>		
On profit for the year	13,981	34,130
Adjustment in respect of the previous year	(61)	(4)
<b>Foreign tax</b>		
On profit for the year	255	571
Adjustment in respect of the previous year	<u>3</u>	<u>1</u>
<b>Total current tax</b>	14,178	34,698
<b>UK deferred tax</b>		
Origination and reversal of timing differences	<u>(2,764)</u>	<u>(7,756)</u>
<b>Tax on profit on ordinary activities</b>	<u>11,414</u>	<u>26,942</u>
<b>b) Factors affecting tax charge for the year</b>		

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

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>(restated)</b>
		<b>£000</b>
Profit on ordinary activities before tax	<u>42,264</u>	<u>106,709</u>
Profit on ordinary activities before tax multiplied by standard rate of UK corporation tax of 30%	12,679	32,013
<b>Effects of:</b>		
Accounting depreciation in excess of tax depreciation	4,396	4,358
Consolidation adjustments (including goodwill amortisation)	(2,798)	(4,768)
Costs not deductible for tax purposes	1,847	1,279
Other tax adjustments	(3,445)	534
Adjustments in respect of pension liabilities	1,560	1,285
Adjustments relating to prior year's corporation tax	<u>(61)</u>	<u>(3)</u>
<b>Total current tax</b>	<u>14,178</u>	<u>34,698</u>
<b>c) Factors that may affect future tax charges</b>		

The group have unrelieved capital losses of £18,189,000 at year end (2005: £17,843,000). As there is no current expectation of future disposals and hence possible capital gains against which the losses may be offset, no deferred tax assets have been recognised in respect of these losses.

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Negative goodwill**

**£000**

**Cost**

As at 2 April 2005 and 1 April 2006

(360,913)

**Amortisation**

As at 2 April 2005

231,594

Release for the year

8,400

As at 1 April 2006

239,944

**Net book value**

As at 1 April 2006

(120,919)

As at 2 April 2005

(129,319)

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Tangible fixed assets**

GROUP	Properties including fixed equipment			Fixtures, fittings & equipment*	Total
	Freehold	Long leasehold	Short leasehold		
	£000	£000	£000	£000	£000
<b>Cost</b>					
As at 2 April 2005	25,089	199,962	78,336	229,308	532,695
Additions	44,543	1,488	14,335	23,892	84,258
Transfer	(188)	1,365	(1,177)	-	-
Disposals	<u>(850)</u>	<u>(240)</u>	<u>(486)</u>	<u>(2,067)</u>	<u>(3,643)</u>
As at 1 April 2006	<u>68,594</u>	<u>202,575</u>	<u>91,008</u>	<u>251,133</u>	<u>613,310</u>
<b>Depreciation</b>					
As at 2 April 2005	2,532	34,939	6,250	148,418	192,139
Charge	816	6,909	3,891	30,304	41,920
Transfer	(34)	516	(448)	(34)	-
Disposals	<u>(75)</u>	<u>(112)</u>	<u>(247)</u>	<u>(1,805)</u>	<u>(2,239)</u>
As at 1 April 2006	<u>3,239</u>	<u>42,252</u>	<u>9,446</u>	<u>176,883</u>	<u>231,820</u>
<b>Net book value</b>					
As at 1 April 2006	<u>65,355</u>	<u>160,323</u>	<u>81,562</u>	<u>74,250</u>	<u>381,490</u>
As at 2 April 2005	<u>22,557</u>	<u>165,023</u>	<u>72,086</u>	<u>80,890</u>	<u>340,556</u>

\* Includes construction in progress with costs of £3,817,000 (2005: £1,444,000).

Freehold properties includes £23,804,000 (2005: £2,772,000) 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 £7,736,000 at 1 April 2006 (2005: £2,410,000). Depreciation charged during the year in respect of these assets amounted to £1,458,000 (2005: £594,000).

The company itself does not have any tangible fixed assets.

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2006	<u>—</u>	<u>—</u>	<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:

<b>Company</b>	<b>Country of Incorporation</b>	<b>Principal Activity</b>	<b>Holding</b>	<b>%</b>
Bhs Limited*	England & Wales	Retailing	Ordinary shares	100
Bhs (Jersey) Limited**	Jersey	Retailing	Ordinary shares	100
Epoch Properties Limited**	Jersey	Property Investment	Ordinary shares	100
Bhs Properties Limited*	England & Wales	Property Investment	Ordinary shares	100
Davenbush Limited*	England & Wales	Property Investment	Ordinary shares	100
Lowland Homes Limited*	England & Wales	Property Investment	Ordinary shares	100
PS Supplies Limited**	England & Wales	Wholesale	Ordinary shares	100
Bhs Services Limited**	England & Wales	Inactive	Ordinary shares	100
Bhs (Hong Kong) Limited**	Hong Kong	Inactive	Ordinary shares	100
The Dailybake Limited**	England & Wales	Food Services	Ordinary shares	10
Bhs Properties (Chester) Limited**	England & Wales	Property Investment	Ordinary shares	100

\* held directly by Bhs Group Limited

\*\* held directly by subsidiary undertakings

On 23 August 2005 Bhs (Jersey) Limited acquired a property investment company, Epoch Properties Limited, with share capital of £2. The value of the acquisition was £20,000,000 with a book value of £12,000,000 and a fair value adjustment of £8,000,000, resulting in zero goodwill.

On 13 September 2005 Bhs Limited acquired 50,000 ordinary shares in The Dailybake Limited, equivalent to a 10% holding.

On 10 October 2005 Bhs Limited acquired a wholesale company, PS Supplies Limited, with share capital of £1.

On 29 September 2005, an investment company, Willow Asset Management Unlimited, was dissolved.

On 15 December 2005 Bhs Group Limited acquired a property investment company, Lowland Homes Limited, with share capital of £2.

On 16 May 2006 a property company, Bhs Properties (Chester) Limited, was dissolved.

During the year Bhs Services Limited became dormant.

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Stocks**

**Group**

**2006      2005**  
**£000      £000**

Goods for resale 72,077      79,202

The company does not hold any stock.

**14. Debtors**

**Group**

**Company**

**2006      2005      2006      2005**  
**£000      (restated)      £000      £000**  
**£000      £000**

Trade debtors	9,330	5,511	-	-
Amounts owed by group undertakings	-	-	59,715	113,507
Other debtors	1,118	864	-	6
Prepayments and accrued income	29,006	27,318	-	-
Deferred tax asset (see note 17)	<u>-</u>	<u>-</u>	<u>6</u>	<u>2,891</u>
	<u>39,454</u>	<u>33,693</u>	<u>59,721</u>	<u>116,404</u>

**15. Creditors: amounts falling due within one year**

**Group**

**Company**

**2006      2005      2006      2005**  
**£000      £000      £000      £000**

Bank overdraft	15,176	-	17,976	2,844
Bank loan	-	39,744	-	39,744
Subordinated bond	-	28,639	-	28,639
Trade creditors	40,378	41,324	-	-
Taxation and social security	10,846	22,847	-	-
Other creditors	7,659	8,206	-	-
Accruals and deferred income	29,409	24,741	188	743
Landlords' contributions	2,798	1,832	-	-
Obligations under finance leases	<u>1,109</u>	<u>163</u>	<u>-</u>	<u>-</u>
	<u>107,375</u>	<u>167,496</u>	<u>18,164</u>	<u>71,970</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 (CONTINUED)**

**16. Creditors: amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Bank loan	119,294	119,234	119,294	119,233
Taxation and social security	385	422	-	-
Landlords' contributions	6,481	3,583	-	-
Obligations under finance leases	<u>6,280</u>	<u>1,106</u>	<u>-</u>	<u>-</u>
	<u>132,440</u>	<u>124,345</u>	<u>119,294</u>	<u>119,233</u>

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

**17. Group provisions for liabilities and charges**

	<b>Deferred tax (restated) £000</b>	<b>Other provisions £000</b>	<b>Total (restated) £000</b>
As at 2 April 2005	29,033	7,366	36,399
Charge for the year	-	1,532	1,532
Release for the year	(1,203)	(860)	(2,063)
Utilised during the year	<u>-</u>	<u>(1,294)</u>	<u>(1,294)</u>
As at 1 April 2006	<u>27,830</u>	<u>6,744</u>	<u>34,574</u>
		<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>(restated) £000</b>
<b>Deferred taxation</b>			
Provision in respect of:			
Capital allowances		28,355	32,253
Other timing differences		<u>(525)</u>	<u>(3,220)</u>
		<u>27,830</u>	<u>29,033</u>

The group had an unrecognised deferred tax asset of £5,457,000 (2005: £5,656,000) at year end.

**Company**

The company had a deferred tax asset held within debtors (see note 14) at the year end of £6,000 (2005: £2,891,000). The company had an unrecognised deferred tax asset of £nil (2005: £99,000) at year end.

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. Group provisions for liabilities and charges (continued)**

**Other provisions**

	<b>Store closures £000</b>	<b>Other £000</b>	<b>Total £000</b>
As at 2 April 2005	3,875	3,491	7,366
Charge for the year	87	1,445	1,532
Release for the year	(190)	(670)	(860)
Utilised during the year	<u>(175)</u>	<u>(1,119)</u>	<u>(1,294)</u>
As at 1 April 2006	<u>3,597</u>	<u>3,147</u>	<u>6,744</u>

The store closure provision of £3,597,000 (2005: £3,875,000) includes discounted estimated costs of £3,402,000 (2005: £3,582,000) for future lease obligations and £195,000 (2005: £293,000) of other costs relating to the disposal of one retail store and a non-operating lease.

Other provisions primarily relate to discounted onerous lease provisions of £2,428,000 (2005: £2,530,000) and provision for dilapidations of £76,000 (2005: £327,000) and sales returns provision of £643,000 (2005: £634,000).

**18. Share capital**

	<b>2006 £000</b>	<b>2005 £000</b>
<b>Authorised</b>		
2,000,000 ordinary shares of 25p each	<u>500</u>	<u>500</u>
<b>Allotted, called up and fully paid</b>		
1,900,000 ordinary shares of 25p each	<u>475</u>	<u>475</u>

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

When a dividend is declared payable to the shareholders the warrant holders are entitled to a dividend. The dividend payable for each subscription share entitlement held is the equivalent to the dividend per ordinary share. In the current year the warrant holders have become entitled to £nil (2005: £nil (see note 5)) equivalent to the total £nil dividend per share (2005: £nil) paid to shareholders.

On 19 May 2005 the unsecured discounted subordinated bond matured. The warrant holders received a dividend of £1,449,000 which was calculated with reference to the percentage of ordinary shares that the warrant holder would hold had they exercised their subscription rights and had the payment to the bond holders have been a dividend.

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**19. Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>£000</b>		<b>£000</b>	
<b>Share premium account</b>				
As at 2 April 2005 and 1 April 2006			<u>25</u>	<u>25</u>
<b>Profit and loss account</b>				
	<b>Group</b>		<b>Company</b>	
	<b>2005</b>			
	<b>2006</b>	<b>(restated)</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening profit and loss reserve	10,411	4,858	7,369	(4,039)
Prior year adjustment				
- pension liability	-	(80,816)	-	-
- deferred tax on pension liability	-	24,245	-	-
- reversal of SSAP 24 pension asset	-	(35,244)	-	-
- reversal of deferred tax on SSAP 24 pension asset	-	10,573	-	-
Restated opening profit and loss reserve	10,411	(76,384)	7,369	(4,039)
Profit for the year	30,850	79,767	(2,938)	11,408
Actuarial gain for the year	10,232	10,040	-	-
Deferred tax on actuarial gain	(3,070)	3,012	-	-
Retained profit	<u>48,423</u>	<u>10,411</u>	<u>4,431</u>	<u>7,369</u>

Following the group's adoption of FRS 17 as the basis of account for pensions, the comparative results have been restated.

**20. Reconciliation of movements in shareholders' funds**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>			
	<b>2006</b>	<b>(restated)</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	10,911	5,358	7,869	11,408
Prior year adjustments	-	(81,242)	-	-
Opening shareholders' funds (restated)	10,911	(75,884)	7,489	11,408
Profit/(loss) for the period	30,850	79,767	(2,938)	(3,539)
Other recognised gains and losses	<u>7,162</u>	<u>7,028</u>	-	-
Closing shareholders' funds	<u>48,923</u>	<u>10,911</u>	<u>4,931</u>	<u>7,869</u>

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**21. Reconciliation of operating profit to net cash inflow from operating activities**

	2006 £000	2005 (restated) £000
Operating profit	51,470	114,187
Depreciation charge	41,920	42,546
Amortisation of negative goodwill	(8,400)	(15,153)
Net pension cost	6,700	6,535
Fixed asset write-off	1,386	1,355
Decrease/(increase) in stock	7,125	(6,034)
(Increase)/decrease in debtors	(5,814)	1,935
Increase in creditors and provisions	<u>7,735</u>	<u>1,393</u>
Net cash inflow from operating activities	<u>102,122</u>	<u>146,764</u>

**22. Reconciliation of net cash flow to movement in net debt**

	2006 £000	2006 £000	2005 £000	2005 £000
Decrease in cash during the year	(82,507)		(19,577)	
Decrease in debt and lease finance	<u>70,500</u>		<u>40,450</u>	
		(12,007)		20,873
Non cash items		<u>(8,298)</u>		<u>(3,790)</u>
(Increase)/decrease in net debt in the year		(20,305)		17,083
Opening net debt		<u>(121,555)</u>		<u>(138,638)</u>
Closing net debt		<u>(141,860)</u>		<u>(121,555)</u>

The main non cash movement relates to finance lease arrangements which the group entered into during the year. The total capital value at the inception of the leases was £6,786,000 (2005: £1,326,000).

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

	2 April 2005 £000	Cashflow £000	Other non cash changes £000	1 April 2006 £000
Cash in hand, at bank	67,331	(82,507)	-	(15,176)
Debt due within one year	(68,384)	68,975	(591)	-
Debt due after one year	(119,233)	860	(921)	(119,294)
Finance leases	<u>(1,269)</u>	<u>665</u>	<u>(6,786)</u>	<u>(7,390)</u>
	<u>(121,555)</u>	<u>(12,007)</u>	<u>(8,298)</u>	<u>(141,860)</u>

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. Financial commitments**

**Loans  
Group and Company**

	<b>Bank loan £000</b>	<b>Fees £000</b>	<b>Creditor £000</b>	<b>Sub- ordinated bond £000</b>
<b>2006</b>				
Between one year and two years	20,000	97	19,903	-
Between two years and five years	<u>100,000</u>	<u>609</u>	<u>99,391</u>	<u>-</u>
	<u>120,000</u>	<u>706</u>	<u>119,294</u>	<u>-</u>
<b>2005</b>				
Within one year	40,000	256	39,744	28,975
Between one year and two years	40,000	256	39,744	-
Between two years and five years	<u>80,000</u>	<u>510</u>	<u>79,490</u>	<u>-</u>
	<u>160,000</u>	<u>1,022</u>	<u>158,978</u>	<u>28,975</u>

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

The bank loan was issued in October 2005 at £100,000,000 with facilities available for a further £125,000,000. Both loans are guaranteed by the company and its subsidiaries, Bhs Limited, Bhs Properties Limited and Davenbush Limited. There is a separate loan outstanding of £20,000,000 guaranteed by the issued share capital of Epoch Properties Limited. Interest is payable at commercial rates on a regular basis.

**Operating leases**

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

	<b>2006</b>		<b>2005</b>	
	<b>Land &amp; buildings £000</b>	<b>Other £000</b>	<b>Land &amp; buildings £000</b>	<b>Other £000</b>
Operating leases which expire:				
Within one year	446	393	651	552
Within two to five years	1,331	3,766	945	3,986
After five years	<u>104,564</u>	<u>352</u>	<u>100,244</u>	<u>164</u>
	<u>106,341</u>	<u>4,511</u>	<u>101,840</u>	<u>4,702</u>

**BHS GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**24. Financial commitments (continued)**

**Finance leases**

The future minimum finance lease payments to which the group is committed at 1 April 2006 are as follows:

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Within one year	1,109	163
Within two to five years inclusive	4,852	689
After five years	<u>1,428</u>	<u>417</u>
	<u>7,389</u>	<u>1,269</u>

**Capital commitments**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Contracted for but not provided for - Group	<u>9,153</u>	<u>7,561</u>

The company has no capital commitments.

**Guarantees**

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

**25. Ultimate controlling party**

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

**26. Related parties**

A Leighton, a director of Bhs Limited, is also a director of Going Plural Limited, a company in which he has a controlling interest. During the year Bhs Limited paid £184,000 to Going Plural Limited for the services of A Leighton (2005: £200,000). The group owes £8,000 (2005: £nil) to Going Plural Limited at the year end.

Bhs Limited rents properties from Carmen Properties Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of these properties in the year amounted to £12,812,000 (2005: £12,154,000). There were no amounts due to or from Carmen Properties Limited at the year end (2005: £nil).

Bhs Limited rents a property from Mildenhall Holdings Limited, a company under the same ultimate control as Bhs Group Limited. The value of rental transactions in respect of this property in the year amounted to £500,000 (2005: £12,000). The group owes £nil (2005: £12,000) to Mildenhall Holdings Limited at the year end.

**BHS GROUP LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**26. Related parties (continued)**

Arcadia Group Limited is under the same ultimate control as Bhs Group Limited. Bhs Group Limited invoiced Arcadia Group Limited £971,000 (2005: £1,370,000) relating to the services of certain Bhs Limited and Bhs Group Limited directors and employees to Arcadia Group Limited and the provision of certain restaurant services to Arcadia Group Limited. Arcadia Group Limited invoiced Bhs Limited £2,813,000 (2005: £4,815,000) relating principally to the provision of certain sourcing activities. At the year end Arcadia Group Limited owes Bhs Group Limited £221,000 (2005: creditor of £562,000).

Bhs Group Limited paid £28,975,000 to Tacomer Limited, a company under the same ultimate control as Bhs Group Limited, in respect of an unsecured discounted subordinated bond (see note 24). There were no amounts owed at the year end.