

BM LEASING (1992) LIMITED

(Registered No. 1130440)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006



BM LEASING (1992) LIMITED

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BM LEASING (1992) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

1. Principal activity

The principal activity of BM Leasing (1992) Limited (the 'company') is the leasing of equipment

2. Review of the business

The finance lease arrangements were terminated as at 31 December 2006 following reaching agreement with HRMC on a without prejudice basis and as a consequence the VAT debtor balance of £4,392,560 has been written off to the profit and loss account. The early termination has given rise to a loss charged to the profit and loss account of £310,335. The directors do not expect the company to enter in to any new leasing arrangements in the coming year.

The unencumbered assets were subsequently sold to the ultimate finance lessee group company at the carrying net book value uplifted for VAT to reflect market value.

3. Results and dividends

The loss for the year, after taxation, amounted to £4,978,578 (2005 - loss of £1,209,396)

No dividend is proposed for 2006 (2005 - £nil)

4. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the company has agreed to indemnify certain directors, to the extent permitted by law and the company's articles of association, in respect of all losses arising out of, or in connection with the execution of their powers, duties and responsibilities, as directors of the company.

5. Conversion to International Financial Reporting Standards

The ultimate parent undertaking has prepared Group accounts in accordance with International Financial Reporting Standards (IFRS). The company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards.

6. Directors and Directors' interests

The names of persons who were directors at any time during the year are as follows:

M I Dugdale
J P Davies
R King
N T Beazley
B D J Kent

There were no directors' interests requiring disclosure under Section 234 of the Companies Act 1985.

7. Disclosure of Information to Auditors

The directors who held office at the date 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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

8. Auditor

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

By Order of the Board



8 March 2007

For and on behalf of BUPA Secretaries Limited Secretary

BM LEASING (1992) LIMITED

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

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

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

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

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

BM LEASING (1992) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BM LEASING (1992) LIMITED

We have audited the financial statements of BM Leasing (1992) Ltd (the 'company') for the year ended 31st December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Equity shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 information given in the Directors' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 March 2007

8 Salisbury Square
London EC4Y 8BB

BM LEASING (1992) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	<i>Note</i>	2006 £	2005 £
Turnover	<i>1</i>	1,728,580	1,662,634
Operating expenses		<u>(319,376)</u>	<u>(410,839)</u>
Operating profit		1,409,204	1,251,795
Exceptional item	<i>4</i>	(4,702,895)	-
Interest receivable	<i>5</i>	49,181	103,507
Interest payable and similar charges	<i>6</i>	<u>(3,612,071)</u>	<u>(3,083,009)</u>
Loss on ordinary activities before taxation	<i>7</i>	(6,856,581)	(1,727,707)
Tax on loss on ordinary activities	<i>9</i>	1,878,003	518,311
Retained loss for the year	<i>17</i>	<u>(4,978,578)</u>	<u>(1,209,396)</u>

The operating profit is all derived from continuing operations

There were no material differences between reported losses and historical losses on ordinary activities before and after taxation

There are no recognised gains or losses other than the loss for the financial year of £4,978,578 (2005 loss of £1,209,396)

The accounting policies and notes on pages 7 to 13 form part of these financial statements

BM LEASING (1992) LIMITED

**RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
Loss for the financial year	(4,978,578)	(1,209,396)
Net reduction to equity shareholders' funds	<u>(4,978,578)</u>	<u>(1,209,396)</u>
Opening equity shareholders' funds	4,064,043	5,273,439
Closing equity shareholders' funds	<u>(914,535)</u>	<u>4,064,043</u>

The accounting policies and notes on pages 7 to 13 form part of these financial statements

BM LEASING (1992) LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	<i>Note</i>	2006 £	2005 £
Fixed assets			
Tangible assets	10	-	254,145
Current assets			
Debtors due within one year	11	21,630,796	101,664,481
Debtors after one year	11	-	17,368,757
		<u>21,630,796</u>	<u>119,033,238</u>
Creditors: amounts falling due within one year	13	<u>(22,545,330)</u>	<u>(105,442,408)</u>
Net current (liabilities)/assets		<u>(914,534)</u>	<u>13,590,830</u>
Creditors: amounts falling due after one year	13	-	(9,780,931)
Net (liabilities)/assets		<u>(914,534)</u>	<u>4,064,044</u>
Called up share capital	16	2,010,000	2,010,000
Share premium account	17	35,066	35,066
Profit and loss account	17	<u>(2,959,600)</u>	<u>2,018,978</u>
Equity shareholders' funds		<u>(914,534)</u>	<u>4,064,044</u>

These financial statements were approved by the Board of directors on 8 March 2007 and were signed on its behalf by



B D J Kent
Director

The accounting policies and notes on pages 7 to 13 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of BM Leasing (1992) Limited (the 'company') have been prepared in accordance with applicable accounting standards and under the historical cost accounting convention and on a going concern basis

The financial statements have been prepared on a going concern basis, the parent company, The British United Provident Association, having undertaken to provide such financial assistance as necessary to enable the company to meet its liabilities as they fall due for payment

As the company is a wholly owned subsidiary undertaking of BUPA Investments Limited, a company registered in England and Wales, which publishes consolidated accounts, the company has pursuant to paragraph 17 of Financial Reporting Standard No 8 Related Party Disclosures (FRS 8) not included details of transactions with other companies which are subsidiary undertakings of the BUPA Group. There are no other related party transactions

(b) Cash flow statement

Under Financial Reporting Standard No 1 Cash flow statements (revised 1996) (FRS 1) the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is wholly owned subsidiary undertaking of The British United Provident Association Limited, a company that prepares a consolidated cash flow statement for the BUPA Group

(c) Turnover

Turnover represents the gross earnings from finance leases

(d) Taxation including deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred tax

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions

- Provision is made for tax on gains arising from the revaluation of property to its fixed asset value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is tax only where the replacement assets are sold
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws

Trading losses surrendered to other Group subsidiary undertakings are made on a full payment basis

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued**

1. STATEMENT OF ACCOUNTING POLICIES - continued

(e) Leases (external)

Leasing arrangements which transfer to the company substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is shorter. The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation, and the interest element is charged against results in a constant proportion to the capital element outstanding.

Leases (internal)

All purchases are made by BHS Leasing (1993) Limited on behalf of the Care Services Division. BHS Leasing (1993) Limited will pay external suppliers and then claim this back internally. These assets are leased to BM Leasing (1992) Limited who then lease them on to Care Services. BM Leasing (1992) Limited acts as an intermediary lessee and lessor in order to claim back VAT.

(f) Residual interests

In the majority of cases under the finance lease arrangements, the company retains an interest in the residual value of the leased asset. No recognition is made in the financial statements of any profit attributable to the estimated future disposal proceeds of equipment which will be returned to the company at the termination of the lease or from rentals resulting from anticipated secondary leases until these are realised.

(g) Fixed assets and depreciation

Fixed assets are stated at cost. Depreciation is calculated as to write off the cost by equal instalments over their estimated useful lives, as follows:

Equipment - 3 years or the length of the finance lease

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued**

2. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The company is a subsidiary undertaking of BUPA Investments Limited, which is registered in England and Wales. Copies of BUPA Investments Limited's financial statements are available to the public from The Registrar of Companies, Cardiff, CF14 3UZ.

The ultimate holding company is The British United Provident Association Limited (BUPA), in whose accounts these financial statements are consolidated. Copies of BUPA's consolidated financial statements are available to the public from The Registrar of Companies, Cardiff, CF14 3UZ.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

Employees

The company had no employees during the year (2005: £nil) and consequently incurred no staff costs.

No remuneration was paid to any of the directors during the year (2005: £nil).

4. EXCEPTIONAL ITEMS

The finance lease arrangements were terminated as at 31 December 2006 following reaching agreement with HRMC on a without prejudice basis and as a consequence the VAT debtor balance of £4,392,560 has been written off to the profit and loss account. The early termination has given rise to a loss charged to the profit and loss account of £310,335. The directors do not expect the company to enter in to any new leasing arrangements in the coming year.

The unencumbered assets were subsequently sold to the ultimate finance lessee group company at the carrying net book value uplifted for VAT to reflect market value.

	2006	2005
	£	£
Write off VAT debtor	4,392,560	-
Loss on termination	310,335	-
	<u>4,702,895</u>	<u>-</u>

5. INTEREST RECEIVABLE

	2006	2005
	£	£
Interest receivable from group companies	<u>49,181</u>	<u>103,507</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Interest payable to group companies	(2,431,272)	(2,594,923)
Finance charges	(1,180,799)	(488,086)
	<u>(3,612,071)</u>	<u>(3,083,009)</u>

BM LEASING (1992) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued**

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £	2005 £
<i>Loss on ordinary activities is stated</i>		
<i>after charging:</i>		
Gross charges under finance leases - Group undertakings	(584,205)	(488,086)
Exceptional items	(4,702,895)	-
Depreciation - leased assets	(254,145)	(338,860)
Other operating charges - Group undertakings	<u>(5,231)</u>	<u>(6,914)</u>
	<u>(5,546,476)</u>	<u>(833,860)</u>
<i>after crediting:</i>		
Equipment rentals receivable - Group undertakings	254,145	338,860
Gross earnings under finance leases - Group undertakings	<u>1,474,435</u>	<u>1,323,774</u>
	<u>1,728,580</u>	<u>1,662,634</u>
The aggregate rentals received under finance leases are as follows		
Finance charges	1,288,435	1,137,774
Capital repayments	<u>7,890,841</u>	<u>6,173,225</u>
	<u>9,179,276</u>	<u>7,310,999</u>
The aggregate rentals paid under finance leases are as follows		
Finance charges	(584,205)	(488,086)
Capital repayments	<u>(2,537,896)</u>	<u>(1,661,762)</u>
	<u>(3,122,101)</u>	<u>(2,149,848)</u>

8 AUDITORS' REMUNERATION

	2006 £	2005 £
Fees for the audit of the Company	<u>(3,359)</u>	<u>(3,013)</u>

Fees for the audit of the Company represent the amount receivable by the Company's auditors. The amount may not be borne by the company. The 2005 disclosure has been restated using a consistent basis.

Fees paid to the Company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of BUPA, the ultimate parent undertaking, are required to disclose non-audit fees on a consolidated basis.

BM LEASING (1992) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued**

9 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax credit

	2006 £	2005 £
Current Tax		
UK Corporation tax on profits of the year	(3,653,530)	(284,678)
Adjustments in respect of prior periods	(144,521)	30
Total current tax	(3,798,051)	(284,648)
Deferred tax		
Origination and reversal of timing differences	1,775,527	(233,634)
Adjustments in respect of prior periods	144,521	(29)
Tax on loss on ordinary activities	(1,878,003)	(518,311)

(ii) Factors affecting the tax credit

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

	2006 £	2005 £
Loss on ordinary activities before tax	(6,856,581)	(1,727,707)
Tax credit on loss on ordinary activities at 30%	(2,056,974)	(518,312)
Effects of		
Expenses not deductible for tax purposes	178,971	-
Accelerated capital allowances	(1,775,527)	233,634
Adjustments to tax charge in respect of prior periods	(144,521)	30
Total current tax credit for the year	(3,798,051)	(284,648)

10 FIXED ASSETS

	Equipment £	TOTAL £
Equipment Assets under finance leases		
Cost		
At 1 January 2006	1,016,580	1,016,580
At 31 December 2006	1,016,580	1,016,580
Depreciation		
At 1 January 2006	(762,435)	(762,435)
Charge for year	(254,145)	(254,145)
At 31 December 2006	(1,016,580)	(1,016,580)
Net Book Value		
At 31 December 2006	-	-
At 31 December 2005	254,145	254,145

BM LEASING (1992) LIMITED
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued**
11 DEBTORS

	2006	2005
	£	£
Amounts falling due within one year		
Amounts receivable under finance leases	-	5,801,650
Amounts due from Group undertakings	11,356,777	89,463,830
Loans to Group companies	10,000,000	-
VAT control account	84,875	-
Other debtors	189,144	6,399,001
	<u>21,630,796</u>	<u>101,664,481</u>
Amounts falling due after more than one year	£	£
Amounts receivable under finance leases	-	15,448,709
Deferred tax (note 15)	-	1,920,048
	<u>-</u>	<u>17,368,757</u>

12 INVESTMENTS IN FINANCE AGREEMENTS

	2006	2005
	£	£
The amounts receivable under finance leases comprise		
Minimum lease payments	-	25,392,802
Finance allocated to future periods	-	(4,142,445)
	<u>-</u>	<u>21,250,357</u>
Of which due within one year		5,801,650
Lease payments receivable in year (including interest)	<u>-</u>	<u>6,930,211</u>

13 CREDITORS

	2006	2005
	£	£
Amounts falling due within one year		
Bank overdraft	(2,563)	(77,317)
Obligations under finance leases	-	(2,020,856)
Amounts owed to Group undertakings	(22,189,342)	(103,251,294)
Other creditors	(274,489)	(92,941)
VAT recoverable	(78,936)	-
	<u>(22,545,330)</u>	<u>(105,442,408)</u>
Amounts falling due more than one year	£	£
Obligations under finance leases	<u>-</u>	<u>(9,780,931)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

14 OBLIGATIONS UNDER FINANCE LEASES

	2006	2005
	£	£
The maturity of obligations under finance leases is as follows.		
Amounts due within one year	-	(2,508,937)
Amounts due between one and five years	-	(7,290,872)
Amounts due over five years	-	(4,548,722)
	-	(14,348,531)
Less finance charges allocated to future periods		
Of which due within one year	-	488,080
Of which due more than one year	-	2,058,664
	-	(11,801,787)

15 DEFERRED TAX

Deferred tax liabilities are analysed as follows.

	2006	2005
	£	£
Depreciation in excess of capital allowances claimed	-	(1,920,048)
	-	(1,920,048)

	2006	2005
	£	£
At the beginning of year	(1,920,048)	(1,686,385)
Deferred tax charge / (credit) for period	1,920,048	(233,663)
At end of year	-	(1,920,048)

The net deferred tax asset is included within other debtors

16 SHARE CAPITAL

	2006	2005
	£	£
Authorised		
20,100,000 ordinary shares of 10 pence each	2,010,000	2,010,000
Allotted, called-up and fully paid		
20,100,000 ordinary shares of 10 pence each	2,010,000	2,010,000

17 RESERVES

	2006	2005
	Profit and loss account	Profit and loss account
	£	£
At beginning of year	2,018,978	3,228,374
Loss for the year	(4,978,578)	(1,209,396)
At end of year	(2,959,600)	2,018,978

	2006	2005
	Share premium account	Share premium account
	£	£
At beginning of year	35,066	35,066
At end of year	35,066	35,066

18 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The company has given a guarantee as part of the Group banking arrangements, in respect of the overdraft and loans of certain other Group Undertakings.

The company has no obligation in respect of future capital expenditure.