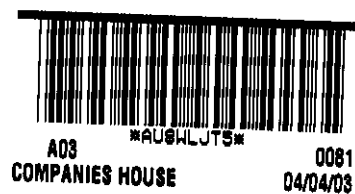


BHS LEASING (1993) LIMITED

(Registered No. 1521055)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002



BHS LEASING (1993) LIMITED

**REPORT OF THE DIRECTORS
for the year ended 31 December 2002**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

1. Principal activity

The principal activity of the Company is leasing assets to Group companies.

2. Review of the business

The directors consider the performance of the Company during the year to be satisfactory.

3. Results and dividends

The profit for the year, after taxation, amounted to £2,451,070 (2001 – £1,880,285).

No interim dividend was paid during the year (2001 - £754,000). No final dividend is proposed (2001 - £nil).

4. Directors and directors' interests

Details of the present directors and any other person who served as a director during the year are set out below:

J P Davies
M I Dugdale
M Ellerby
R King
N R Taylor
A D Walford

The directors had no interests requiring disclosure under section 234 of the Companies Act 1985.

5. Supplier payment policy

The Company's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of their terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 December 2002 were equivalent to 28 (2001 – 23) days' purchases, based on the average daily amount invoiced by suppliers during the year.

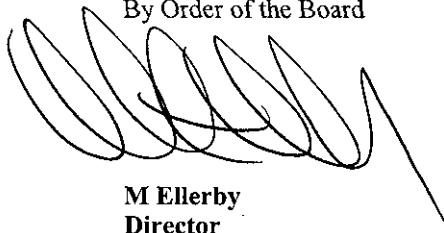
6. Auditors

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:
Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

13 March 2003

By Order of the Board

A handwritten signature in black ink, appearing to be 'M Ellerby', written over a series of horizontal wavy lines.

**M Ellerby
Director**

BHS LEASING (1993) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or 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; 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF BHS LEASING (1993) LIMITED

We have audited the financial statements set out on pages 4 to 13.

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 are responsible for preparing the directors' report and, as described on page 2, 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 Company 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 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 of the state of affairs of the Company as at 31 December 2002 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Leeds

13 March 2003

BHS LEASING (1993) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002

	Note	2002 Total	2001 Total
		£	£
Turnover	1	362,193	2,685,140
Operating expenses		<u>(10,930)</u>	<u>(100,756)</u>
Operating profit		351,263	2,584,384
Interest receivable and similar income	4	3,150,266	-
Interest payable and similar charges	5	-	(1,914,938)
Profit on sale of discontinued operation		<u>-</u>	<u>1,286,249</u>
Profit on ordinary activities before taxation	6	3,501,529	1,955,695
Tax on profit on ordinary activities	7	<u>(1,050,459)</u>	<u>(75,410)</u>
Profit on ordinary activities after taxation		2,451,070	1,880,285
Dividends paid	8	<u>-</u>	<u>(754,000)</u>
Retained profit for the financial year		<u>2,451,070</u>	<u>1,126,285</u>

There were no recognised gains and losses other than the profit for the financial year.

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

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

BHS LEASING (1993) LIMITED

BALANCE SHEET
as at 31 December 2002

	Note	2002 £	2001 £
Current assets			
Debtors		99,720,550	95,604,668
Debtors: amounts due within one year	9	93,842,453	90,929,860
Debtors: amounts due after one year	9	5,878,097	4,674,808
Cash at bank and in hand		6,582	51,970
		<u>99,727,132</u>	<u>95,656,638</u>
Creditors: amounts falling due within one year	11	<u>(94,895,757)</u>	<u>(93,475,320)</u>
Net current assets		<u>4,831,375</u>	<u>2,181,318</u>
Total assets less current liabilities		4,831,375	2,181,318
Provision for liabilities and charges	12	<u>(499,497)</u>	<u>(300,510)</u>
		<u>4,331,878</u>	<u>1,880,808</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	4,331,778	1,880,708
Equity shareholders' funds		<u>4,331,878</u>	<u>1,880,808</u>

These financial statements were approved by the Board of Directors on 13 March 2003 and were signed on its behalf by:



N R Taylor
Director

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

BHS LEASING (1993) LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**
for the year ended 31 December 2002

	2002 £	2001 £
Profit for the financial year	2,451,070	1,880,285
Dividend paid	<u>-</u>	<u>(754,000)</u>
Net addition to shareholders' funds	2,451,070	1,126,285
Opening shareholders' funds	<u>1,880,808</u>	<u>754,523</u>
Closing shareholders' funds	<u>4,331,878</u>	<u>1,880,808</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention and on a going concern basis.

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

(b) New financial reporting standards

Adoption of FRS 19

Under Financial Reporting Standard No 19: Deferred Tax (FRS 19) deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Under FRS 19 full provision is required, whether or not an actual liability will crystallise. Previously the company provided for deferred tax in full and hence no prior year adjustment is required. As permitted by FRS 19, the company has adopted a policy of not discounting deferred tax assets and liabilities

Accounting conventions

A summary of the more significant accounting policies, which have been applied consistently is set out below.

(c) Cash flow statement

Under Financial Reporting Statement 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 a wholly owned subsidiary undertaking of BUPA, a Company that prepares a consolidated cash flow statement for the BUPA Group.

(d) Turnover

Turnover represents the gross earnings from finance leases, the aggregate rentals receivable in respect of operating leases, management charges and amounts earned by the Company in the ordinary course of business for services rendered after deducting trade discounts and Value Added Tax, where appropriate. All turnover arises within the United Kingdom.

(e) Taxation including deferred taxation

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

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:

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.

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(e) Taxation including deferred taxation (continued)

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.

(f) Finance Leases

The gross earnings from finance leases are recognised in the profit and loss account over the period of the lease and represents a constant proportion of the capital repayments outstanding.

The investment in finance leases is stated in the balance sheet at the total of the gross minimum lease payments receivable under such agreements, less finance income allocated to future periods.

Outstanding future lease obligations of assets acquired under finance leases are shown in creditors.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

(g) 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

2. IMMEDIATE & ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of BHS Leasing (1993) Limited is BUPA Investments Limited which is registered in England & Wales.

The ultimate parent undertaking is the British United Provident Association Limited (BUPA), a company registered in England & Wales. The group preparing consolidated group accounts which include BHS Leasing (1993) Limited is BUPA. A copy 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

The emoluments of the directors are borne entirely by other Group companies and are disclosed in the financial statements of those companies. The Company has no other employee costs during the year.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £	2001 £
Loan Interest	<u>3,150,266</u>	<u>-</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES	2002	2001
	£	£
Discontinued activities:		
Finance leases	<u>-</u>	<u>1,914,938</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover, operating expenses and operating profit on continuing and discontinued activities are as follows:

	2002			2001
	Total	Continuing	Discontinued	Total
	£	£	£	£
Turnover	362,193	325,472	2,359,668	2,685,140
Operating expenses	<u>(10,930)</u>	<u>(40,756)</u>	<u>(60,000)</u>	<u>(100,756)</u>
Operating profit	351,263	284,716	2,299,668	2,584,384
Interest receivable and similar income	3,150,266	-	-	-
Interest payable and similar charges	<u>-</u>	<u>-</u>	<u>(1,914,938)</u>	<u>(1,914,938)</u>

Profit on ordinary activities before taxation is stated after crediting:

	2002	2001
	£	£
Gross earnings under finance leases	<u>302,193</u>	<u>2,527,098</u>

Auditors' remuneration and amounts paid to KPMG Audit Plc and their associates for non audit services are borne by a fellow Group undertaking.

The aggregate rentals received under finance leases are as follows:

	2002	2001
	£	£
Finance charges	302,193	2,527,098
Capital repayments	<u>1,114,443</u>	<u>8,461,720</u>
	<u>1,416,636</u>	<u>10,988,818</u>

BHS LEASING (1993) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002****7. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of charge in period**

	2002 £	2001 £
Current tax:		
UK Corporation tax on profits of the year	851,472	-
Total current tax	851,472	-
Deferred tax:		
Origination and reversal of timing differences	198,987	75,410
Tax on profit on ordinary activities	1,050,459	75,410

(b) Factors effecting the tax charge

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:

Profit on ordinary activities before tax	3,501,529	1,955,695
Tax charge on profit on ordinary activities at 30%	1,050,459	586,709
Effects of:		
Expenses not deductible for tax purposes	-	(468,601)
Deferred tax on short term and other timing differences	(198,987)	(75,410)
Group relief not paid for	-	(42,698)
Current tax charge for period	851,472	-

8. DIVIDENDS PAID

	2002 £	2001 £
Equity shares		
Interim paid of 754,000p per ordinary share	-	754,000

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2002

9. DEBTORS

	2002	2001
	£	£
Amounts falling due within one year:		
Finance leases	1,120,095	995,904
Amounts owed by Group undertakings	92,722,358	89,892,830
Other debtors	-	41,126
	<u>93,842,453</u>	<u>90,929,860</u>

Amounts owed by Group undertakings include a loan of £76,600,000 from BUPA Investments Limited and carries interest at the rate of LIBOR. The loan has no fixed repayment term.

The finance leases are receivable from a fellow BUPA Group undertaking.

Amounts falling due after more than one year:

	2002	2001
	£	£
Finance leases	<u>5,878,097</u>	<u>4,674,808</u>
Between one and two years	1,037,055	842,805
Between two and five years	1,708,738	1,913,076
After five years	<u>3,132,304</u>	<u>1,918,927</u>
	<u>5,878,097</u>	<u>4,674,808</u>

The finance leases are receivable from a fellow BUPA Group undertaking

10. INVESTMENTS IN FINANCE AGREEMENTS

The company's investments in finance leases can be allocated as follows:

	2002	2001
	£	£
Minimum lease payments	8,311,371	6,735,693
Finance allocated to future periods	<u>(1,313,179)</u>	<u>(1,064,981)</u>
	<u>6,998,192</u>	<u>5,670,712</u>
Of which is due within one year	<u>1,120,095</u>	<u>995,904</u>
Lease payments recoverable in year	<u>1,114,443</u>	<u>8,461,720</u>
Cost of equipment acquired during the year	<u>2,441,924</u>	<u>15,864,135</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

11. CREDITORS – amounts falling due within one year

	2002 £	2001 £
Payments on account	91,564,975	92,981,611
Trade creditors	181,241	174,868
Amounts owed to Group undertakings	853,571	19,724
Other creditors	<u>2,295,970</u>	<u>299,117</u>
	<u>94,895,757</u>	<u>93,475,320</u>

Payments on account represent payments for goods and services to be rendered by Group undertakings. Obligations under finance leases are payable to a fellow BUPA Group undertaking.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At the beginning of the year	300,510
Charge for the year	198,987
At the of year	<u>499,497</u>

Deferred taxation

Deferred tax liabilities are analysed as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>499,497</u>	<u>300,510</u>
	<u>499,497</u>	<u>300,510</u>

BHS LEASING (1993) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2002**

13. SHARE CAPITAL

	2002 £	2001 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

	2002 £	2001 £
Allotted, called-up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. RESERVES

	Profit and loss account £
At 1 January 2002	1,880,708
Profit for the year	<u>2,451,070</u>
At 31 December 2002	<u>4,331,778</u>