

BHS LEASING (1993) LIMITED

(Registered No. 1521055)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



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COMPANIES HOUSE 18/05/2006

BHS LEASING (1993) LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2005

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

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 £3,390,632 (2004 – £3,296,792).

No dividend is proposed for 2005 (2004 – £ nil).

4. Conversion to International Financial Reporting Standards

The ultimate parent undertaking, The British United Provident Association Limited (BUPA), 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.

5. 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 the 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.

6. 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:

N T Beazley	(appointed 1 September 2005)
J P Davies	
M I Dugdale	(resigned 15 September 2005)
M Ellerby	
B D J Kent	(appointed 1 September 2005)
R King	
N R Taylor	
A D Walford	(resigned 1 September 2005)

The Directors had no interests requiring disclosure under Section 234 of the Companies Act 1985.

7. 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 2005 were equivalent to 26 (2004 – 26) days purchases, based on the average daily amount invoiced by suppliers during the year.

BHS LEASING (1993) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)
for the year ended 31 December 2005

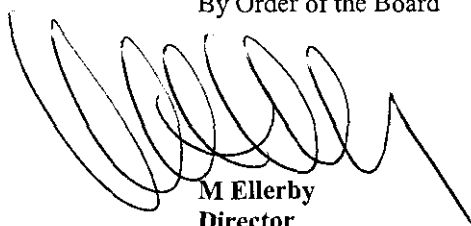
8. Auditors

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

9 March 2006

By Order of the Board

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

M Ellerby
Director

BHS LEASING (1993) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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.

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

We have audited the financial statements of BHS Leasing (1993) Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in 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

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

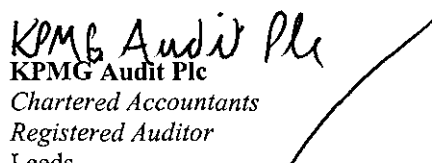
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
9 March 2006

BHS LEASING (1993) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	1	548,080	487,167
Operating expenses		<u>-</u>	<u>(60)</u>
Operating profit		548,080	487,107
Interest receivable and similar income	4	4,362,828	4,093,198
Interest payable and similar charges	5	<u>(67,223)</u>	<u>(38)</u>
Profit on ordinary activities before taxation	6	4,843,685	4,580,267
Tax on profit on ordinary activities	7	<u>(1,453,053)</u>	<u>(1,283,475)</u>
Retained profit for the financial year		<u>3,390,632</u>	<u>3,296,792</u>

The operating profit is all derived from continuing activities.

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 8 to 14 form part of these financial statements.

BHS LEASING (1993) LIMITED**BALANCE SHEET**
as at 31 December 2005

	Note	2005 £	2004 £
Current assets			
Debtors		109,041,267	102,291,889
Debtors: amounts due within one year	8	99,260,336	94,188,465
Debtors: amounts due after one year	8	9,780,931	8,103,424
Cash at bank and in hand		4,107	-
		<u>109,045,374</u>	<u>102,291,889</u>
 Creditors: amounts falling due within one year	10	<u>(94,767,195)</u>	<u>(91,571,351)</u>
 Net current assets		<u>14,278,179</u>	<u>10,720,538</u>
 Provision for liabilities and charges	11	<u>(859,312)</u>	<u>(692,303)</u>
 Net assets		<u>13,418,867</u>	<u>10,028,235</u>
 Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	13,418,767	10,028,135
 Equity shareholders' funds		<u>13,418,867</u>	<u>10,028,235</u>

These financial statements were approved by the Board of Directors on 9 March 2006 and were signed on its behalf by:



N R Taylor
Director

The accounting policies and notes on pages 8 to 14 form part of these financial statements.

BHS LEASING (1993) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2005

	2005	2004
	£	£
Profit for the financial year and addition to shareholders' funds	3,390,632	3,296,792
Opening shareholders' funds	10,028,235	6,731,443
	<hr/>	<hr/>
Closing shareholders' funds	13,418,867	10,028,235

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

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 BUPA, 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.

Accounting conventions

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

(b) 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.

(c) 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.

(d) 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.

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.

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(e) Finance Leases

The gross earnings from finance leases are recognised in the profit and loss account over the period of the lease and represent 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.

(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) Pensions and other post-retirement benefits

Contributions to the defined contribution scheme are charged to the profit and loss account in the accounting period in which they occur.

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the Company is BUPA Investments Limited, a company which is registered in England and Wales.

The ultimate parent undertaking is BUPA, a company registered in England and Wales, in whose accounts these financial statements are consolidated. Copies of the accounts of BUPA can be obtained 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

	2005 £	2004 £
Loans to Group undertakings	<u>4,362,828</u>	<u>4,093,198</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Loans from Group undertaking	<u>67,223</u>	<u>38</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting:

	2005	2004
	£	£
Gross earnings under finance leases	<u>488,080</u>	<u>427,167</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:

	2005	2004
	£	£
Finance charges	488,010	427,167
Capital repayments	<u>1,661,769</u>	<u>1,460,299</u>
	<u>2,149,779</u>	<u>1,887,466</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the year

	2005 £	2004 £
Current tax:		
UK Corporation tax on profits for the year	1,286,097	1,217,516
Adjustments in respect of prior periods	(53)	118,538
	<hr/>	<hr/>
Total current tax	1,286,044	1,336,054
Deferred tax:		
Origination and reversal of timing differences	167,009	156,617
Adjustments in respect of prior periods	-	(209,196)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>1,453,053</u>	<u>1,283,475</u>

(b) Factors affecting the tax charge

The tax assessed for the year is lower (2004: lower) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>4,843,685</u>	<u>4,580,267</u>
Tax charge on profit on ordinary activities at 30%	1,453,106	1,374,080
Effects of:		
Expenses not deductible for tax purposes	-	53
Accelerated capital allowances	(665,539)	(594,707)
Deferred tax on short term and other timing differences	498,530	438,090
Adjustments to tax charge in respect of prior periods	(53)	118,538
	<hr/>	<hr/>
Total current tax charge for year	<u>1,286,044</u>	<u>1,336,054</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

8. DEBTORS

	2005	2004
	£	£
Amounts falling due within one year:		
Finance leases	1,766,712	1,510,120
Amounts owed by Group undertakings	97,481,180	92,678,345
Other debtors	12,444	-
	<u>99,260,336</u>	<u>94,188,465</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 Group undertaking.

Amounts falling due after more than one year:

	2005	2004
	£	£
Finance leases	<u>9,780,931</u>	<u>8,103,424</u>
Between one and two years	1,665,151	1,402,439
Between two and five years	4,379,043	3,604,725
After five years	<u>3,736,737</u>	<u>3,096,260</u>
	<u>9,780,931</u>	<u>8,103,424</u>

The finance leases are receivable from a fellow Group undertaking.

9. INVESTMENTS IN FINANCE AGREEMENTS

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

	2005	2004
	£	£
Minimum lease payments	13,606,305	11,328,790
Finance allocated to future periods	<u>(2,058,662)</u>	<u>(1,715,246)</u>
	<u>11,547,643</u>	<u>9,613,544</u>
Of which is due within one year	<u>1,766,712</u>	<u>1,510,120</u>
Lease payments receivable in year	<u>1,661,769</u>	<u>1,460,299</u>
Cost of equipment acquired during the year	<u>3,595,868</u>	<u>2,407,290</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

10. CREDITORS – amounts falling due within one year

	2005 £	2004 £
Bank overdraft	-	851,439
Payments on account	85,920,630	88,070,480
Trade creditors	-	7,370
Amounts owed to Group undertakings	8,152,626	1,336,092
Other creditors	693,939	1,305,970
	<u>94,767,195</u>	<u>91,571,351</u>

Payments on account represent payments for goods and services to be rendered by Group undertakings.

11. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 2005	692,303
Deferred tax charge for the year	167,009
	<u>859,312</u>
At 31 December 2005	

Deferred taxation

Deferred tax liabilities are analysed as follows:

	Deferred tax	
	2005 £	2004 £
Accelerated capital allowances	<u>859,312</u>	<u>692,303</u>

BHS LEASING (1993) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

12. SHARE CAPITAL

	2005 £	2004 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called-up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. RESERVES

	Profit and loss account £
At 1 January 2005	10,028,135
Retained profit for the year	<u>3,390,632</u>
At 31 December 2005	<u>13,418,767</u>

14. CONTINGENT LIABILITIES

The Company has received a guarantee and other undertakings, as part of the Group banking arrangements in respect of the overdrafts of certain other Group undertakings.

15. POST BALANCE SHEET EVENT

The Directors have been considering the potential impact of a ruling of the European Court of Justice delivered on 21 February 2006 in the cases of Halifax plc (case C-255/02) and BUPA Hospitals Limited (case C-419/02) on the recoverability of VAT debtors.

The Directors' preliminary view is that the VAT remains recoverable and therefore do not anticipate a material impact on the Company's accounts.