

**BHS LEASING (1993) LIMITED**

**(Registered No. 1521055)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

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## **BHS LEASING (1993) 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 the Company is leasing assets to Group companies

#### **2 Review of the business and cessation of trade**

The directors consider the performance of the Company for the year to be satisfactory. On 31 December 2006, the Company ceased trading. As a result it terminated the lease agreements with fellow Group undertakings.

The finance lease arrangements were terminated as at 31 December 2006 after reaching an agreement with HMRC on a without prejudice basis and as a consequence the VAT creditor balance of £67,000 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 £1,497,000.

#### **3. Results and dividends**

The profit for the year, after taxation, amounted to £2,001,000 (2005 – £3,391,000)

No dividend was declared and paid in 2006 (2005 - £ 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 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.

#### **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  
J P Davies  
M Ellerby  
B D J Kent  
R King  
N R Taylor

The Directors had no 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 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/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**BHS LEASING (1993) LIMITED**

**REPORT OF THE DIRECTORS  
for the year ended 31 December 2006**

**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

By Order of the Board



**M Ellerby  
Director**

8 March 2007

## **BHS LEASING (1993) 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 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 judgments 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 BHS Leasing (1993) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet 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 3.

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 whether in our opinion the information given in the Directors' Report is 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 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.

### 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 profit for the year then ended,
- 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 the financial statements.

  
KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 March 2007

1 The Embankment  
Neville Street  
Leeds LS1 4DW

**BHS LEASING (1993) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2006**

	Note	2006 £'000	2005 £'000
Turnover	1	<u>711</u>	<u>548</u>
Operating profit		711	548
Interest receivable and similar income	4	4,056	4,363
Interest payable and similar charges	5	<u>(1,908)</u>	<u>(67)</u>
Profit on ordinary activities before taxation	6	2,859	4,844
Tax on profit on ordinary activities	7	<u>(858)</u>	<u>(1,453)</u>
Profit for the financial year		<u>2,001</u>	<u>3,391</u>

The operating profit is all derived from discontinued 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 13 form part of these financial statements

**BHS LEASING (1993) LIMITED****BALANCE SHEET**  
**as at 31 December 2006**

	Note	2006 £'000	2005 £'000
<b>Current assets</b>			
Debtors		114,656	109,041
Debtors amounts due within one year	8	101,156	99,260
Debtors amounts due after one year	8	13,500	9,781
Cash at bank and in hand		-	4
		<u>114,656</u>	<u>109,045</u>
<b>Creditors amounts falling due within one year</b>	10	<u>(99,236)</u>	<u>(94,767)</u>
<b>Net current assets</b>		<u>15,420</u>	<u>14,278</u>
<b>Provisions for liabilities and charges</b>	11	<u>-</u>	<u>(859)</u>
<b>Net assets</b>		<u>15,420</u>	<u>13,419</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	<u>15,420</u>	<u>13,419</u>
<b>Shareholders' funds</b>		<u>15,420</u>	<u>13,419</u>

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

**N R Taylor**  
**Director**



The accounting policies and notes on pages 8 to 13 form part of these financial statements

**BHS LEASING (1993) LIMITED**

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the year ended 31 December 2006**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>Profit for the financial year and addition to shareholders' funds</b>	2,001	3,391
Opening shareholders' funds	13,419	10,028
<b>Closing shareholders' funds</b>	<u>15,420</u>	<u>13,419</u>



## **BHS LEASING (1993) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006**

#### **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 and 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 exception:

- 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.

##### **(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.

## BHS LEASING (1993) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

#### 2 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

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

The ultimate parent undertaking of the Company is BUPA, a company registered in England and Wales in whose accounts these financial statements are consolidated. The smallest group in which these accounts are consolidated is that headed by BUPA Finance Plc, a company registered in England and Wales. Copies of the accounts of BUPA and BUPA Finance Plc 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

	2006 £'000	2005 £'000
Group undertakings	<u>4,056</u>	<u>4,363</u>

#### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
Group undertaking	411	67
Termination of lease arrangement	<u>1,497</u>	<u>-</u>
	<u>1,908</u>	<u>67</u>

During the year, the Company terminated lease agreements with fellow Group undertakings and incurred a charge of £1,497,000.

#### 6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting

	2006 £'000	2005 £'000
Fees for the audit of the Company	3	3
Gross earnings under finance leases	<u>584</u>	<u>488</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.

**BHS LEASING (1993) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2006****6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (CONTINUED)**

The aggregate rentals received under finance leases are as follows

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Finance charges	584	488
Capital repayments	<u>1,954</u>	<u>1,662</u>
	<u>2,538</u>	<u>2,150</u>

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of tax charge in the year**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
<b>Current tax:</b>		
UK Corporation tax on profits for the year	<u>1,717</u>	<u>1,286</u>
Total current tax	1,717	1,286
<b>Deferred tax:</b>		
Origination and reversal of timing differences	<u>(859)</u>	<u>167</u>
Tax on profit on ordinary activities	<u>858</u>	<u>1,453</u>

**(b) Factors affecting the tax charge**

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

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Profit on ordinary activities before tax	<u>2,859</u>	<u>4,844</u>
Tax charge on profit on ordinary activities at 30%	858	1,453
Effects of		
Accelerated capital allowances	-	(666)
Depreciation in excess of capital allowances claimed	859	-
Deferred tax on short term and other timing differences	<u>-</u>	<u>499</u>
Total current tax charge for year	<u>1,717</u>	<u>1,286</u>

**BHS LEASING (1993) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2006****8. DEBTORS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Finance leases	-	1,767
Amounts owed by Group undertakings	101,145	97,481
Other debtors	11	12
	<u>101,156</u>	<u>99,260</u>

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

The finance leases are receivable from a fellow Group undertaking. Following the termination of the lease agreement mentioned above, the finance leases have been settled.

**Amounts falling due after more than one year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Finance leases	-	9,781
Amounts owed by Group undertakings	13,500	-
	<u>13,500</u>	<u>9,781</u>
Between one and two years	-	1,665
Between two and five years	-	4,379
After five years	13,500	3,737
	<u>13,500</u>	<u>9,781</u>

The finance leases are receivable from a fellow Group undertaking. Following the termination of the lease agreement mentioned above, the finance leases have been settled.

**9. INVESTMENTS IN FINANCE AGREEMENTS**

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	-	13,606
Finance allocated to future periods	-	(2,058)
	<u>-</u>	<u>11,548</u>
Of which is due within one year	<u>-</u>	<u>1,767</u>
Lease payments receivable in year	<u>-</u>	<u>1,662</u>
Cost of equipment acquired during the year	<u>-</u>	<u>3,596</u>

**BHS LEASING (1993) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2006****10 CREDITORS – amounts falling due within one year**

	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Bank overdraft	5,713	-
Payments on account	-	85,921
Trade creditors	63	-
Amounts owed to Group undertakings	93,460	8,152
Other creditors	-	694
	<u>99,236</u>	<u>94,767</u>

Payments on account represent payments for goods and services to be rendered by Group undertakings. Following the termination of the lease agreement mentioned above, the payment on account has been settled.

**11 PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Deferred taxation £'000</b>
At 1 January 2006	859
Deferred tax credit for the year	<u>(859)</u>
At 31 December 2006	<u>-</u>

**Deferred taxation**

Deferred tax liabilities are analysed as follows

	<b>Deferred tax</b>	
	<b>2006</b> <b>£'000</b>	<b>2005</b> <b>£'000</b>
Accelerated capital allowances	<u>-</u>	<u>859</u>

**12. SHARE CAPITAL**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called-up and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## **BHS LEASING (1993) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006**

#### **13. RESERVES**

	Profit and loss account £'000
At 1 January 2006	13,419
Profit for the financial year	<u>2,001</u>
At 31 December 2006	<u>15,420</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