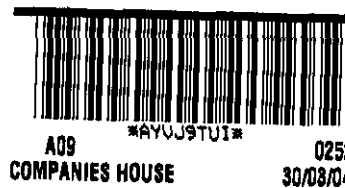


**BHS LEASING (1993) LIMITED**

**(Registered No. 1521055)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2003**



**BHS LEASING (1993) LIMITED**

**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2003**

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

**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 £2,399,565 (2002 – £2,451,070).

No dividend is proposed (2002 - £ 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, to ensure that suppliers are made aware of their terms of payment and to abide by the terms of payment. Trade creditors of the Company at 31 December 2003 were equivalent to 26 (2002 – 28) days' purchases, based on the average daily amount invoiced by suppliers during the year.

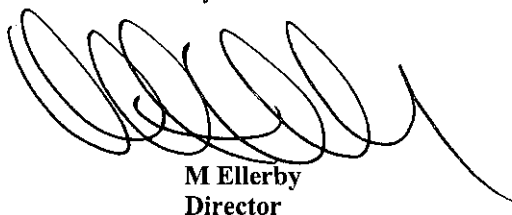
**6. Auditors**

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

11 March 2004

By Order of the Board



**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 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 the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Ltd*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

Leeds

11 March 2004

**BHS LEASING (1993) LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	1	423,774	362,193
Operating expenses		<u>(9,988)</u>	<u>(10,930)</u>
<b>Operating profit</b>		413,786	351,263
Interest receivable and similar income	4	<u>3,143,674</u>	<u>3,150,266</u>
<b>Profit on ordinary activities before taxation</b>	5	3,557,460	3,501,529
Tax on profit on ordinary activities	6	<u>(1,157,895)</u>	<u>(1,050,459)</u>
<b>Retained profit for the financial year</b>		<u>2,399,565</u>	<u>2,451,070</u>

The operating profit is wholly 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 7 to 13 form part of these financial statements.

**BHS LEASING (1993) LIMITED****BALANCE SHEET**  
**as at 31 December 2003**

	Note	2003 £	2002 £
<b>Current assets</b>			
Debtors		99,103,176	99,720,550
Debtors: amounts due within one year	7	91,777,101	93,842,453
Debtors: amounts due after one year	7	7,326,075	5,878,097
Cash at bank and in hand		219,591	6,582
		<u>99,322,767</u>	<u>99,727,132</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(91,846,442)</u>	<u>(94,895,757)</u>
<b>Net current assets</b>		<u>7,476,325</u>	<u>4,831,375</u>
<b>Provision for liabilities and charges</b>	10	<u>(744,882)</u>	<u>(499,497)</u>
		<u>6,731,443</u>	<u>4,331,878</u>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Profit and loss account	12	6,731,343	4,331,778
<b>Equity shareholders' funds</b>		<u>6,731,443</u>	<u>4,331,878</u>

These financial statements were approved by the Board of Directors on 11 March 2004 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 2003**

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Profit for the financial year and addition in shareholders' funds</b>	2,399,565	2,451,070
Opening shareholders' funds	4,331,878	1,880,808
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>6,731,443</b>	<b>4,331,878</b>

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

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003**

#### **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.

##### **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 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, 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.



# **BHS LEASING (1993) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2003**

### **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 is 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**

	2003 £	2002 £
Group loan interest	<u>3,143,674</u>	<u>3,150,266</u>

**BHS LEASING (1993) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2003**

**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit on ordinary activities before taxation is stated after crediting:

	<b>2003</b> £	2002 £
Gross earnings under finance leases	<u>363,774</u>	<u>302,193</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:

	<b>2003</b> £	2002 £
Finance charges	363,774	302,193
Capital repayments	<u>1,243,256</u>	<u>1,114,443</u>
	<u>1,607,030</u>	<u>1,416,636</u>

**BHS LEASING (1993) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2003****6. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Analysis of tax charge in the year**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Current tax:</b>		
UK Corporation tax on profits for the year	821,853	851,472
Adjustments in respect of prior periods	90,657	-
	<hr/>	<hr/>
Total current tax	912,510	851,472
<b>Deferred tax:</b>		
Origination and reversal of timing differences	245,385	198,987
	<hr/>	<hr/>
Tax on profit on ordinary activities	<u>1,157,895</u>	<u>1,050,459</u>

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

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

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u>3,557,460</u>	<u>3,501,529</u>
Tax charge on profit on ordinary activities at 30%	1,067,238	1,050,459
Effects of:		
Deferred tax on short term and other timing differences	(245,385)	(198,987)
Adjustments to tax charge in respect of prior periods	90,657	-
	<hr/>	<hr/>
Total current tax charge for year	<u>912,510</u>	<u>851,472</u>

**BHS LEASING (1993) LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 December 2003****7. DEBTORS**

	2003 £	2002 £
<b>Amounts falling due within one year:</b>		
Finance leases	1,340,478	1,120,095
Amounts owed by Group undertakings	<u>90,436,623</u>	<u>92,722,358</u>
	<u>91,777,101</u>	<u>93,842,453</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:**

	2003 £	2002 £
Finance leases	<u>7,326,075</u>	<u>5,878,097</u>
Between one and two years	1,234,115	1,037,055
Between two and five years	2,099,658	1,708,738
After five years	<u>3,992,302</u>	<u>3,132,304</u>
	<u>7,326,075</u>	<u>5,878,097</u>

The finance leases are receivable from a fellow BUPA Group undertaking

**8. INVESTMENTS IN FINANCE AGREEMENTS**

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

	2003 £	2002 £
Minimum lease payments	10,279,373	8,311,371
Finance allocated to future periods	<u>(1,612,820)</u>	<u>(1,313,179)</u>
	<u>8,666,553</u>	<u>6,998,192</u>
Of which is due within one year	<u>1,340,478</u>	<u>1,120,095</u>
Lease payments recoverable in year	<u>1,243,256</u>	<u>1,114,443</u>
Cost of equipment acquired during the year	<u>2,911,617</u>	<u>2,441,924</u>

**BHS LEASING (1993) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2003

**9. CREDITORS – amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Payments on account	89,957,945	91,564,975
Trade creditors	100,331	181,241
Amounts owed to Group undertakings	72,589	853,571
Other creditors	<u>1,715,577</u>	<u>2,295,970</u>
	<u>91,846,442</u>	<u>94,895,757</u>

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

**10. PROVISION FOR LIABILITIES AND CHARGES**

	<b>Deferred taxation £</b>
At the beginning of the year	499,497
Deferred tax charge for the year	<u>245,385</u>
<b>At end of year</b>	<u><b>744,882</b></u>

**Deferred taxation**

Deferred tax liabilities are analysed as follows:

	<b>Deferred tax</b>	
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<u>744,882</u>	<u>499,497</u>
	<u><b>744,882</b></u>	<u><b>499,497</b></u>

**BHS LEASING (1993) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2003**

**11. SHARE CAPITAL**

	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Authorised</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
<b>Allotted, called-up and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**12. RESERVES**

	<b>Profit and loss account £</b>
At 1 January 2003	4,331,778
Profit for the year	<u>2,399,565</u>
At 31 December 2003	<u>6,731,343</u>