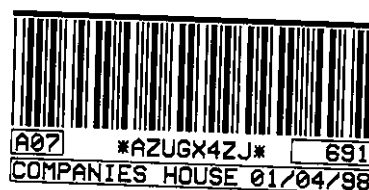


BHS LEASING (1994) LIMITED

(Registered No. 1584802)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



BHS LEASING (1994) LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 1997

The Directors present their annual report and the audited financial statements for the year ended 31 December 1997.

1. Principal activity

The principal activity of the Company is leasing.

2. Review of the business

The Directors consider the development of the Company during the year to be satisfactory, and do not foresee any significant changes in the forthcoming year.

3. Results and dividends

The profit for the year, after taxation, amounted to £176,467 (1996 - loss £315,580).
No dividend is proposed for 1997 (1996 - £ nil).

4. Directors and directors' interests

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

Mr E W Lea (Chairman)
Mr J P Davies
Mr M Ellerby
Mr A D Walford
Mr F A Kee

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

5. Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Registered Office :

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

12 March 1998

By Order of the Board



F A Kee
Secretary

BHS LEASING (1994) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditors' report set out on page 3, is made for the purpose of clarifying the respective responsibilities of the Directors and the auditors in the preparation 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 of the Company 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.

BHS LEASING (1994) LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF BHS LEASING (1994) LIMITED

We have audited the financial statements set out on pages 4 to 12.

Respective responsibilities of Directors and auditors

As described on page 2, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

12 March 1998



KPMG Audit Plc
Chartered Accountants
Registered Auditor

BHS LEASING (1994) LIMITED**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 1997**

	<i>Note</i>	1997 £	1996 £
Turnover		195,101	888,782
Operating expenses		(139,931)	(9,963)
Profit on ordinary activities			
before taxation	<i>4</i>	55,170	878,819
Tax on profit on ordinary activities	<i>5</i>	121,297	(1,194,399)
Retained profit/(loss) for the financial year		<u>176,467</u>	<u>(315,580)</u>

The operating profit is all derived from continuing operations.

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.

BHS LEASING (1994) LIMITED**BALANCE SHEET**

as at 31 December 1997

	<i>Note</i>	1997 £	1996 £
Current assets			
Debtors due within one year	6	4,467,583	1,405,678
Debtors due after more than one year	6	101,200	2,801,305
		<u>4,568,783</u>	<u>4,206,983</u>
Cash at bank and in hand		32,870	14,371
		<u>4,601,653</u>	<u>4,221,354</u>
Creditors: amounts falling due within one year	8	(3,074,229)	(1,978,941)
		<u>1,527,424</u>	<u>2,242,413</u>
Net current assets			
		1,527,424	2,242,413
Provisions for liabilities and charges	9	(594,078)	(1,485,534)
		<u>933,346</u>	<u>756,879</u>
Capital and reserves			
Called up share capital	10	100,001	100,001
Profit and loss account	11	833,345	656,878
Equity shareholders' funds		<u>933,346</u>	<u>756,879</u>

These financial statements were approved by the Board of Directors on 12 March 1998 and were signed on its behalf by

F A Kee



Director

The accounting policies and notes on pages 7 to 12 form part of these Financial Statements.

BHS LEASING (1994) LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****for the year ended 31 December 1997**

	1997 £	1996 £
Profit/(loss) for the financial year	176,467	(315,580)
Net addition/(reduction) to shareholders' funds	176,467	(315,580)
Opening shareholders' funds	756,879	1,072,459
Closing shareholders' funds	933,346	756,879

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and 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), it has taken advantage of the exemption contained in Financial Reporting Standard No.8 and has therefore not disclosed separately transactions or balances with entities which form part of the BUPA group of companies.

(b) Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly-owned subsidiary undertaking of The British United Provident Association Limited, and its cash flows are included within the consolidated cash flow statement of that company.

(c) Turnover

Turnover represents the gross earnings from finance leases and the aggregate rentals receivable in respect of operating leases. All turnover arises within the United Kingdom and the Republic of Ireland.

(d) Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that a liability will crystallise. It is expected that trading losses surrendered will be 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 represents a constant proportion of the balance 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, BHS Leasing (1994) Limited 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 BHS Leasing (1994) Limited at the termination of the lease or from rentals resulting from anticipated secondary leases until these are realised.

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of BUPA Hospitals Limited, which is registered in England and Wales.

The ultimate holding company is The British United Provident Association Limited, in whose accounts these financial statements are consolidated. A copy of BUPA's consolidated financial statements are available to the public from The Registrar of Companies, Cardiff, CF4 3UZ.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

The Company had no employees during the year (1996 : nil) and consequently incurred no staff costs. No remuneration was paid to any of the directors for the year (1996 : £ nil).

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
<i>Profit on ordinary activities is stated after charging/(crediting) :</i>		
Auditors' remuneration:		
Audit	7,393	4,104
Gross earnings under finance leases	(195,101)	(888,782)
Loss on disposal of finance leases	132,529	-
	<hr/>	<hr/>

The aggregate rentals received under finance leases are as follows :

	1997 £	1996 £
Finance charges	225,646	1,047,702
Capital repayments	976,357	15,745,377
	<hr/>	<hr/>
	1,202,003	16,793,079

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The taxation (credit)/charge is based on the result for the year :		
UK corporation tax at 31.5% (1996 : 33%)	797,430	(250,175)
Deferred taxation	(767,670)	1,485,534
	<u>29,760</u>	<u>1,235,359</u>
Taxation (over)/under provided in previous years :		
Corporation tax	(27,271)	(40,960)
Deferred taxation	(123,786)	-
	<u>(121,297)</u>	<u>1,194,399</u>

The level of the current year tax credit reflects the fact that deferred tax is provided at the future rate of 31% compared to the current year rate of 31.5%.

6. DEBTORS

	1997 £	1996 £
Amounts falling due within one year:		
Finance lease receivables	131,002	508,881
Amounts owed by Group undertakings	729,663	-
Other debtors	3,606,918	896,797
	<u>4,467,583</u>	<u>1,405,678</u>
	1997 £	1996 £
Amounts falling due after more than one year:		
Finance lease receivables	<u>101,200</u>	<u>2,801,305</u>

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

7. INVESTMENTS IN FINANCE AGREEMENTS

1997

1996

£

£

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

Minimum lease payments	325,578	3,804,600
Finance allocated to future periods	(93,376)	(494,414)
	<u>232,202</u>	<u>3,310,186</u>
Of which due within one year	<u>131,002</u>	<u>508,881</u>
Lease payments receivable in year	<u>1,202,003</u>	<u>16,793,079</u>
Cost of equipment acquired during the year	<u>1,411,762</u>	<u>7,884,318</u>

Losses incurred on cancellation of certain leases undertaken between November 1996 and June 1997

132,529

-

8. CREDITORS - amounts falling due within one year :

1997

1996

£

£

Amounts owed to Group undertakings	2,384,776	1,816,145
Other creditors	684,553	158,692
Accruals and deferred income	<u>4,900</u>	<u>4,104</u>
	<u>3,074,229</u>	<u>1,978,941</u>

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

9. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1997	1,485,534
Credit for the year	(891,456)
At 31 December 1997	<u>594,078</u>

The amounts provided for deferred taxation and the amounts not provided are set out below :

	Provided		Not provided	
	1997	1996	1997	1996
	£	£	£	£
Difference between accumulated depreciation and amortisation and capital allowances	<u>594,078</u>	<u>1,485,534</u>	<u>-</u>	<u>-</u>

10. SHARE CAPITAL

	1997 £	1996 £
Authorised		
100,001 ordinary shares of £1 each	<u>100,001</u>	<u>100,001</u>
Allotted, called-up and fully paid		
100,001 ordinary shares of £1 each	<u>100,001</u>	<u>100,001</u>

BHS LEASING (1994) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997

11. RESERVES

	Profit and loss account £
At 1 January 1997	656,878
Retained profit	176,467
	<hr/>
At 31 December 1997	833,345

12. CONTINGENT LIABILITIES

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