

**BHS Leasing (1994) Limited**

**(Registered No. 1584802)**

**Directors' Report and Financial Statements**

**For the Year Ended 31 December 2002**



# **BHS Leasing (1994) 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.

### **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 loss for the year, after taxation, amounted to £438,597 (2001 - profit £451,374).

An interim dividend of £nil was paid during the year (2001 - £739,000). No final dividend is proposed (2001 - £ nil).

### **4. Directors and directors' interests**

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

J P Davies

M I Dugdale (appointed 1 January 2002)

D A Gray

C M Hollingsworth (appointed 12 April 2002)

R King

A D Walford

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

### **5. Auditors**

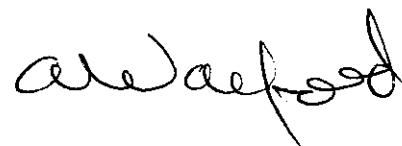
Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office :

BUPA House  
15-19 Bloomsbury Way  
London  
WC1A 2BA

13 March 2003

By Order of the Board



A D Walford  
Secretary

## **BHS Leasing (1994) 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 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 independent auditors to the members of BHS Leasing (1994) 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 loss 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

London

13 March 2003

**BHS Leasing (1994) Limited****Profit and Loss Account  
for the year ended 31 December 2002**

	<i>Note</i>	2002 £	2001 £
<b>Turnover</b>		-	34,792
Operating expenses		(3,112)	(1,600)
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>4</b>	(3,112)	33,192
Tax on (loss)/profit on ordinary activities	5	(435,485)	418,182
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year after taxation</b>		(438,597)	451,374
Dividends paid	6	-	(739,000)
		<hr/>	<hr/>
<b>Retained loss for the financial year</b>		<u>(438,597)</u>	<u>(287,626)</u>

The operating (loss)/profit is all derived from continuing operations.

There were no recognised gains and losses other than the loss 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 2002

	<i>Note</i>	2002 £	2001 £
<b>Current assets</b>			
Debtors due within one year	7	1,071,057	1,071,431
Debtors due after more than one year	7	177,130	1,257
		<u>1,248,187</u>	<u>1,072,688</u>
Cash at bank and in hand		65,689	66,054
		<u>1,313,876</u>	<u>1,138,742</u>
<b>Creditors: amounts falling due within one year</b>	9	(718,124)	(1,600)
		<u>595,752</u>	<u>1,137,142</u>
<b>Net current assets</b>			
		595,752	1,137,142
<b>Provisions for liabilities and charges</b>	10	-	(102,793)
		<u>595,752</u>	<u>1,034,349</u>
<b>Capital and reserves</b>			
Called up share capital	11	100,001	100,001
Profit and loss account	12	495,751	934,348
<b>Equity shareholders' funds</b>		<u>595,752</u>	<u>1,034,349</u>

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

D A Gray



Director

The accounting policies and notes on pages 7 to 13 form part of these Financial Statements.

**BHS Leasing (1994) Limited****Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2002**

	2002 £	2001 £
<b>Retained loss for the financial year</b>	(438,597)	(287,626)
<b>Net reduction to shareholders' funds</b>	(438,597)	(287,626)
Opening shareholders' funds	1,034,349	1,321,975
<b>Closing shareholders' funds</b>	595,752	1,034,349

## **BHS Leasing (1994) Limited**

### **Notes to the Financial Statements for the year ended 31 December 2002**

#### **1. Accounting policies**

##### **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), 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.

##### **New financial reporting standards**

###### **(i) 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.

Previously the Company provided for deferred tax using the liability method to the extent that it was probable that liabilities would crystallise in the foreseeable future. Under FRS 19 full provision is required, whether or not an actual liability will crystallise. This represents a change in accounting policy, however, there is no impact on the comparative figures and therefore 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.

##### **Cash flow statement**

Under Financial Reporting 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.

##### **Accounting conventions**

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

##### **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.



## **BHS Leasing (1994) Limited**

### **Notes to the Financial Statements for the year ended 31 December 2002**

#### **1. Accounting policies - continued**

##### **Taxation including deferred taxation**

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

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 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, except where the surrender of losses is between companies within the subgroup headed by BUPA Hospitals (Holdings) Limited.

##### **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.

##### **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 2002

#### 2. Immediate and ultimate parent undertakings

The immediate parent undertaking of BHS Leasing (1994) Limited is BUPA Hospitals Limited, a company registered in England and Wales which in itself is a subsidiary of BUPA Hospitals (Holdings) Limited, a company also registered in England and Wales. The results of BHS Leasing (1994) Limited are included in the consolidated accounts of BUPA Hospitals (Holdings) Limited and copies of these accounts may be obtained from the Registrar of Companies, Cardiff, CR4 3UZ.

The ultimate parent undertaking of BHS Leasing (1994) Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. The results of BHS Leasing (1994) Limited are included in the consolidated accounts of BUPA and copies of these accounts can be obtained from The Registrar of Companies, Cardiff, CR4 3UZ.

#### 3. Staff costs and directors' remuneration

The Company had no employees during the year (2001 : nil) and consequently incurred no staff costs. No remuneration was paid to any of the directors for the year (2001 : £ nil).

#### 4. (Loss)/profit on ordinary activities before taxation

	2002 £	2001 £
<i>(Loss)/profit on ordinary activities is stated after charging/(crediting) :</i>		
Auditors' remuneration:		
Audit	934	1,600
Gross earnings under finance leases	-	(34,792)

The aggregate rentals received under finance leases are as follows :

	2002 £	2001 £
Finance charges - received	-	15,981
Finance charges - deferred from prior years	-	18,810
Capital repayments	3,349	8,065
	<u>3,349</u>	<u>42,856</u>

## **BHS Leasing (1994) Limited**

### **Notes to the Financial Statements for the year ended 31 December 2002**

#### **5. Tax on profit on ordinary activities**

##### **(i) Analysis of tax charge in year**

	2002 £	2001 £
Current tax		
UK corporation tax on losses of the year	283,843	-
Adjustments in respect of prior periods	<u>431,565</u>	<u>-</u>
	715,408	-
Deferred tax		
Origination and reversal of timing differences	(284,777)	(421,558)
Adjustments in respect of prior periods	<u>4,854</u>	<u>3,376</u>
Tax on profit on ordinary activities	<u>435,485</u>	<u>(418,182)</u>

##### **(ii) Factors affecting the tax charge**

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

	2002 £	2001 £
(Loss)/profit on ordinary activities before taxation	<u>(3,112)</u>	<u>33,192</u>
Tax (credit)/charge on profit on ordinary activities at 30%	(934)	9,958
Effects of:		
Capital allowances for the year in excess of depreciation	(190,042)	-
Deferred tax on short term and other timing differences	474,819	421,558
Adjustments to tax charge in respect of prior periods	431,565	-
Group relief not paid for	-	(431,516)
	<u>715,408</u>	<u>-</u>
Total current tax charge/(credit) for the year	<u>715,408</u>	<u>-</u>

#### **6. Dividends paid**

	2002 £	2001 £
Equity shares		
Interim dividend paid	<u>-</u>	<u>739,000</u>

# BHS Leasing (1994) Limited

## Notes to the Financial Statements for the year ended 31 December 2002

7. Debtors	2002 £	2001 £
<b>Amounts falling due within one year:</b>		
Finance lease receivables	1,257	3,349
Amounts owed by Group undertakings	831,714	829,716
Other debtors	238,086	238,366
	<u>1,071,057</u>	<u>1,071,431</u>

### Amounts falling due after more than one year:

Finance lease receivables	-	1,257
Deferred taxation	<u>177,130</u>	<u>-</u>
	<u>177,130</u>	<u>1,257</u>

### Deferred taxation

Deferred tax assets/(liabilities) are analysed as follows:

	2002 £	2001 £
Accelerated capital allowances	572,812	767,708
Other timing differences	<u>(395,682)</u>	<u>(870,501)</u>
	<u>177,130</u>	<u>(102,793)</u>

The movement for the year in net deferred tax asset is as follows:

At 1 January 2002	(102,793)
Deferred tax credit for the period	279,923
	<u>177,130</u>
At 31 December 2002	<u>177,130</u>

# BHS Leasing (1994) Limited

## Notes to the Financial Statements for the year ended 31 December 2002

### 8. Investments in finance agreements

2002  
£

2001  
£

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

Minimum lease payments	178,387	4,606
Finance allocated to future periods	-	-
	<u>178,387</u>	<u>4,606</u>
Of which due within one year	<u>1,257</u>	<u>3,349</u>
Lease payments receivable in year	<u>-</u>	<u>-</u>

### 9. Creditors - amounts falling due within one year :

2002  
£

2001  
£

Amounts owed to Group undertakings	432,151	-
Taxation	283,843	-
Accruals and deferred income	<u>2,130</u>	<u>1,600</u>
	<u>718,124</u>	<u>1,600</u>

### 10. Provisions for other risks and charges

Deferred  
taxation  
£

At 1 January 2002	102,793
Provided in year	4,854
Released in year	(284,777)
Transferred to debtors (see note 7)	<u>177,130</u>
At 31 December 2002	<u>-</u>

### 11. Share capital

2002  
£

2001  
£

#### Authorised

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

100,001 ordinary shares of £1 each	<u>100,001</u>	<u>100,001</u>
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## BHS Leasing (1994) Limited

### Notes to the Financial Statements for the year ended 31 December 2002

#### 12. Reserves

	Profit and loss account £
At 1 January 2002	934,348
Retained loss	(438,597)
	<hr/>
At 31 December 2002	495,751

#### 13. Contingent liabilities

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

#### 14. Securitisation

During the year, the Company's immediate parent company, BUPA Hospitals Limited, undertook two capital raising transactions and, as a requirement of the transactions, granted fixed and floating ranking security over the undertaking and assets of BUPA Hospitals Limited and its subsidiaries, including the Company.