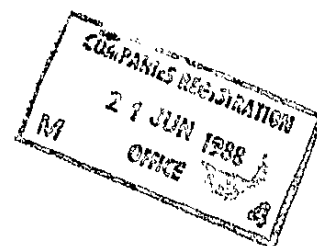


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BUPA INVESTMENTS LIMITED

ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1987



BUPA INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1987

The Directors submit their twenty-second Report and the audited accounts for the year ended 31st December 1987.

1. Review of the business

The principal activity of the company was that of an investment company. During the year the company acquired 99% of the issued share capital of BUPA Health Services Limited, 90% of the issued share capital of Gatwick Park Hospital Limited and its wholly owned subsidiary Gatwick Park Properties Limited, and, following a capital reorganisation, a further 4% of the issued share capital of Blackrock Hospital Limited and its wholly owned subsidiary Blackrock Clinic Limited.

The company's shareholding in BUPA Dunedin Hospital Limited was transferred to BUPA Hospitals Limited during the year in exchange for 1,920,000 ordinary £1 shares issued at par in the latter company.

2. Results

The trading profit for the year, after taxation, amounted to £20,117,623. The profit has been retained within the company.

3. Fixed assets

The changes in tangible fixed assets during the year are summarised in note 7 to the accounts.

4. Board of Directors

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

L.G. Hall, F.I.A. (Chairman)
J.V. Adey, F.C.A.
K.G.P. Crafter, C.A. (resigned 26.5.87)
R.M. Graham, A.C.I.I.
B.S. Hawkins, F.C.T.
R.N. Quartano, C.B.E., M.I.Chem.E. (appointed 18.6.87)
D.R. Spray, F.C.A. (appointed 18.6.87)
Lord Wigoder, Q.C.
L.E.H. Williams, C.B.E., D.F.C., F.C.A.
K.W. Wright, F.I.A.

There are no Directors' interests requiring disclosure under the Companies Act 1985.

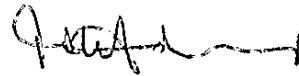
5. Auditors

The auditors, Peat Marwick McLintock, offer themselves for re-appointment as auditors of the company, in accordance with S.384 (1) of the Companies Act 1985. Resolutions will be proposed at the Annual General Meeting to re-appoint them and to authorise the Directors to fix the remuneration of the auditors for the year ending 31st December 1988.

Registered Office:
Provident House,
24/27 Essex Street
London WC2R 3AX

13th April 1988

By order of the Board



J.V. Adey
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF

BUPA INVESTMENTS LIMITED

We have audited the accounts on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31st December 1987 and of its profit for the year then ended and comply with the Companies Act 1985.

These accounts do not include a statement of source and application of funds in accordance with Statement of Standard Accounting Practice No. 10.

London

13th April, 1988

Paul Mannie McIntosh
Chartered Accountants

BUFA INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1987

				1986	
	Notes	£	£	£	£
<u>Income</u>	2		30,990,464		39,182,179
Less:					
Operating charges	3	1,300,633		898,029	
Interest payable		27,246		23,751	
Covenants and charitable contributions	4	386,030		561,667	
		-----		-----	
			1,713,909		1,483,447
			-----		-----
<u>Profit on ordinary activities before taxation</u>			29,276,555		37,698,732
Taxation	5		(9,158,932)		(10,459,195)
			-----		-----
<u>Profit for the financial year transferred to reserves</u>	13		<u>20,117,623</u>		<u>27,239,537</u>

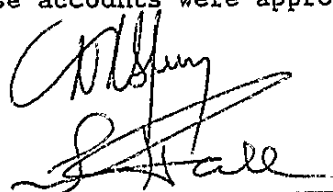
The accounting policies and notes on pages 6 to 15 form part of these accounts.

BUPA INVESTMENTS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1987

	Notes	£	£	1986	£
<u>Fixed assets</u>					
Tangible assets	7	14,869,689		14,389,561	
Investments	8	419,339,716		391,614,750	
		-----		-----	
			434,209,405		406,004,311
<u>Current assets</u>					
Debtors	9	70,381,884		24,976,069	
Bank balances		-		1,287,123	
		-----		-----	
		70,381,884		26,263,192	
Less:					
<u>Creditors</u> - amounts falling due within one year	10	27,877,690		6,411,857	
		-----		-----	
<u>Net current assets</u>			42,504,194		19,851,335
			-----		-----
<u>Total assets less current liabilities</u>			476,713,599		425,855,646
Less:					
<u>Creditors</u> - amounts falling due after more than one year	10	301,862,714		270,767,322	
<u>Provisions for liabilities and charges</u>	11	1,953,155		2,308,217	
		-----		-----	
			303,815,869		273,075,539
			-----		-----
			172,897,730		152,780,107
			-----		-----
<u>Capital and reserves</u>					
Called-up share capital	12		100		100
Revaluation reserve	13		7,842,016		7,842,016
Profit and loss account	13		165,055,614		144,937,991
			-----		-----
			172,897,730		152,780,107
			-----		-----

These accounts were approved by the Board on 11th April 1988.



)
) Directors
)

The accounting policies and notes on pages 6 to 15 form part of these accounts.

BUPA INVESTMENTS LIMITED
STATEMENT OF ACCOUNTING POLICIES
FOR THE YEAR ENDED 31ST DECEMBER 1987

a) Basis of presentation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold property. Consolidated accounts have not been prepared as the company is a wholly owned subsidiary of The British United Provident Association Limited. A statement of the source and application of funds has not been prepared as, in the view of the Directors, it is considered immaterial to an appreciation of the company's accounts.

b) Investments

Listed investments are valued at the lower of cost and market value at the balance sheet date.

Equity dividends are accounted for on a received basis; other investment income is accounted for on an accruals basis.

c) Depreciation

Depreciation is provided on freehold buildings over their useful life expectancy of 50 years. No depreciation is provided on freehold land.

Depreciation of leasehold property is based on the straight line method over the length of the lease, less one year.

d) Deferred taxation

Deferred taxation represents corporation tax at current rates on the timing differences arising from the basis of accounting for investment income.

e) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the exchange rate in operation on the date on which the transaction occurred. Assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date.

BUPA INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS

FOR THE YEAR ENDED 31ST DECEMBER 1987

1. Holding company

The holding company is The British United Provident Association Limited, which is incorporated in Great Britain.

2. <u>Income</u>	1987 £	1986 £
Investment income:		
Listed investments	23,325,645	22,516,696
Short term deposits	4,579,399	4,011,122
Profit on sale of listed investments	8,766,429	12,566,255
Adjustments to provisions:		
Listed investments	(3,173,641)	1,402,570
Investments in subsidiaries	(2,378,490)	(1,531,660)
Secured and unsecured loans	70,000	131,000
Other investments - currency deposits	(275,000)	-
Underwriting commission	76,122	86,196
	<u>30,990,464</u>	<u>39,182,179</u>

3. Operating charges

	1987 £	1986 £
Depreciation	187,642	170,221
Directors remuneration	2,500	2,375
Other operating costs	1,098,491	714,508
Auditors' remuneration	12,000	10,925
	<u>1,300,633</u>	<u>898,029</u>

4. Covenants and charitable contributions

Payments made under deed of covenant:	1987 £	1986 £
Charities sponsored by BUPA:		
The BUPA Medical Foundation Limited	194,521	200,000
Nuffield Hospitals	45,209	158,952
BUPA Medical Research and Development Limited	75,000	75,000
Other charities	41,300	127,715
	<u>356,030</u>	<u>561,667</u>
Charitable donations	30,000	-
	<u>386,030</u>	<u>561,667</u>

5. Tax on profit on ordinary activities

The taxation charge is based on the result for the year:

	1987	1986
	£	£
Corporation tax at 35% (1986 - 36.25%)	8,212,617	9,231,358
Payment for group relief	442,712	101,539
Tax on franked investment income	895,823	683,211
Deferred tax	(355,062)	482,841
	-----	-----
	9,196,090	10,498,949
Taxation under/(over) provided in previous years:		
Corporation tax	154,534	(847,659)
Group relief	(191,692)	807,905
	-----	-----
	9,158,932	10,459,195
	-----	-----

6. Directors

A Director received fees amounting to £2,500 (1986 - £2,375). No other Directors, including the Chairman, received any emoluments for their services (1986 - £Nil).

Loans to Directors

The company makes advances to a life assurance company which in turn lends amounts at an interest rate of 4%, the various loans being secured by endowment policies taken out by the beneficiaries.

Information which is required to be disclosed in the annual accounts is set out below:-

	Amount outstanding		Maximum loan commitment
	1987	1986	
	£	£	£
J.V. Adey - Education	7,600	7,600	7,600
K.G.P Crafter - House purchase	-	9,000	9,000
- Education	4,000	4,000	4,000

At no time during the year did the amounts outstanding exceed the maximum loan commitments. Interest due has been paid to date.

Transactions with Directors

Mr. R.M. Graham has an option, within 12 months of retirement, to purchase a half share in a freehold house from the company for the sum of £74,000.

7. Tangible fixed assets

	<u>Freehold property</u> £	<u>Short leasehold property</u> £	<u>Total</u> £
<u>Cost or valuation</u>			
At 1st January 1987	13,670,000	811,133	14,481,133
Additions	415,779	253,651	669,430
Disposals	-	(4,000)	(4,000)
Revaluation surplus	-	-	-
At 31st December 1987	14,085,779	1,060,784	15,146,563
Cost	415,779	1,060,784	1,476,563
Valuation - 1986	13,670,000	-	13,670,000
	14,085,779	1,060,784	15,146,563
<u>Depreciation</u>			
At 1st January 1987	-	91,572	91,572
Charge for the year	165,212	22,430	187,642
On disposals	-	(2,340)	(2,340)
On revaluation	-	-	-
At 31st December 1987	165,212	111,662	276,874
<u>Net book value</u>			
<u>31st December 1987</u>	<u>13,920,567</u>	<u>949,122</u>	<u>14,869,689</u>
31st December 1986	<u>13,670,000</u>	<u>719,561</u>	<u>14,389,561</u>
Depreciable amount at 31st December 1987	<u>8,175,567</u>	<u>949,122</u>	<u>9,124,689</u>
Non-depreciable amount at 31st December 1987	<u>5,745,000</u>	<u>-</u>	<u>5,745,000</u>

The net depreciated cost of all freehold properties included on a valuation basis at 31st December 1987 was as follows: £

Cost	7,444,847
Accumulated depreciation	(924,854)
	<u>6,519,993</u>

8. Investments

	Cost at <u>31.12.87</u> £	<u>Additions</u> £	<u>Disposals</u> £	Cost at <u>1.1.87</u> £
Listed investments	305,308,738	272,895,369	(263,247,936)	295,661,305
Short term deposits	55,521,782	16,678,133	-	38,843,649
Group companies:				
Shares	13,188,919	8,891,599	(1,924,050)	6,221,370
Loans	54,022,150	2,870,350	(200,000)	51,351,800
Related companies:				
Shares	148,000	-	(350,000)	498,000
Loans	-	-	(275,100)	275,100
Other investments:				
Shares	752,952	192,361	(80,000)	640,591
Loans	5,747,721	66,060	(2,034,689)	7,716,350
	434,690,262	301,593,872	(268,111,775)	401,208,165
	(15,350,546)	(5,757,131)	-	(9,593,415)
Provisions	419,339,716	295,836,741	(268,111,775)	391,614,750

The movement in short term deposits represents the net increase which occurred during the year.

a) Listed investments

Listed investments, all of which are dealt on recognised stock exchanges, are summarised as follows:

	1987		1986	
	Cost £	Market value £	Cost £	Market value £
Government stocks	219,101,105	227,121,193	213,777,192	216,142,360
Equities: UK	67,592,543	82,817,314	47,108,283	63,330,576
Overseas	18,615,090	18,708,519	34,775,830	49,030,176
	305,308,738	328,647,026	295,661,305	328,503,112
Provision in respect of diminution in value	(7,798,537)	-	(4,624,896)	-
	297,510,201	328,647,026	291,036,409	328,503,112

8. Investments (continued)

b) Group companies - shares

Investments in subsidiaries, all of which except where stated were wholly owned, consisted of ordinary shares in the following companies:-

	1987 £	1986 £
BUPA Administrative Systems Limited	100	100
BUPA Consultancy Limited	10,000	10,000
BUPA Dunedin Hospital Limited	-	1,924,050
BUPA Health Promotion Centre Limited	50,000	50,000
BUPA Health Services Limited	99	-
BUPA Hospitals Limited		
and its wholly owned subsidiaries BUPA Dunedin Hospital Limited and BUPA Hospital Properties Limited	2,220,000	300,000
BUPA International Limited and its wholly owned subsidiary BUPA Limited	789	789
BUPA Medical Centre Limited	280,000	280,000
BUPA Medical Centre Birmingham Limited	40,947	40,947
BUPA Nursing Services Limited	300,000	100,000
BUPA Occupational Health Limited	545,782	545,782
and its subsidiaries Chiswick Securities Limited and Portable X-Rays Limited (98 per cent)		
BUPA Services Limited	100	100
BASIC Limited	300,000	300,000
Blackrock Hospital Limited (58 per cent) and its wholly owned subsidiary Blackrock Clinic Limited	6,184,607	2,659,374
Gatwick Park Hospital Limited (90 per cent) and its wholly owned subsidiary Gatwick Park Properties Limited	3,204,000	-
Harland and Fitz Limited	52,495	10,228
	13,188,919	6,221,370
Provision for diminution in value	(5,863,565)	(3,186,456)
	7,325,354	3,034,914

BUPA International Limited and BUPA Limited are incorporated in Hong Kong. Blackrock Hospital Limited and Blackrock Clinic Limited are incorporated in the Republic of Ireland.

8. Investments (continued)

c) Group companies - loans

The balance on inter-company loans was made up as follows:

	1987	1986
	£	£
12.5% Convertible Unsecured		
Loan Stock 1994 - 2004	28,000,000	28,200,000
Unsecured loans	26,022,150	23,151,800
	-----	-----
	54,022,150	51,351,800
Provision for diminution in value	(1,149,444)	(1,448,063)
	-----	-----
	52,872,706	49,903,737
	=====	=====

The interest receivable on £28,000,000 12.5% Convertible Unsecured Loan Stock 1994-2004 for the year ended 31st December 1987 has been waived. The whole of the loan stock is convertible at par into £1 ordinary shares at the company's option.

d) Investments in related companies

Shares

Investments in related companies consisted of the following holdings at cost:

	Holding %	1987 £	1986 £
Cardiff Medical Services Limited			
148,000 £1 ordinary 'B' shares	45	148,000	148,000
Gatwick Park Hospital Limited			
300,000 £1 ordinary 'C' shares	-	-	300,000
Peterborough Independent Hospital PLC			
50,000 £1 ordinary shares	-	-	50,000
		-----	-----
		148,000	498,000
		=====	=====

Secured loan

	1987 £	1986 £
Gatwick Park Hospital Limited	-	275,100
	=====	=====

8. Investments (continued)

e) Other investments

Shares

Other investments include the following equity holdings at cost:-

	Holding %	1987 £	1986 £
Caldaire Independent Hospital PLC 83,000 £1 ordinary shares	12	100,000	100,000
The Murrayfield PLC (registered in Scotland) 616,050 25p ordinary shares	18	652,952	460,591
J. S. Pathology PLC 50,000 10p ordinary shares	-	-	80,000
		-----	-----
		752,952	640,591
Provision for diminution in value		(100,000)	(100,000)
		-----	-----
		652,952	540,591
		=====	=====

Secured loans

Loans of £3,950,000 (1986 - £5,750,000) made to Nuffield Hospitals are secured by a first floating charge on the assets of the company and are repayable during the period 1988 to 1990.

Loans, net of provisions, amounting to £812,000 (1986 - £926,000) made to private hospitals to assist in their development are repayable over periods of up to ten years.

Unsecured loans

Unsecured loans, net of provisions, amounting to £322,000 (1986 - £306,000) made to private hospitals to assist in their development are repayable over periods of up to seven years.

A loan of £500,000 (1986 - £500,000) has been made to The BUPA Medical Foundation Limited, repayable at thirteen months' notice.

9. Debtors

	1987 £	1986 £
Investments sold for future settlement	26,990,607	1,061,261
Amounts owed by group companies	37,557,512	16,882,286
Other debtors	253,322	230,879
Accrued income	5,580,443	6,801,643
	-----	-----
	70,381,884	24,976,069
	=====	=====

10. Creditors

(i) Falling due within one year:

	1987 £	1986 £
Bank overdraft	516,641	-
Investments bought for future settlement	16,513,842	485,793
Amounts owed to group companies	7,910,032	2,443,304
Corporation tax	2,520,580	3,258,244
Other creditors	323,683	157,979
Accruals	92,912	66,537
	-----	-----
	<u>27,877,690</u>	<u>6,411,857</u>

(ii) Falling due after more than one year:

	1987 £	1986 £
Unsecured loan, non-interest bearing and having no final repayment date, made by the holding company	<u>301,862,714</u>	<u>270,767,322</u>

11. Provisions for liabilities and charges

	1987 £	1986 £
Deferred taxation:		
At 1st January	2,308,217	1,825,376
Profit and loss account - taxation charge/(credit)	(355,062)	482,841
	-----	-----
At 31st December	<u>1,953,155</u>	<u>2,308,217</u>

The full potential liability is as follows:

Accrued investment income	1,953,155	2,308,217
Property revaluation surplus	-	1,917,589
	-----	-----
	<u>1,953,155</u>	<u>4,225,806</u>

12. Share capital

	1987 £	1986 £
Authorised, allotted, called-up and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. Reserves

	1987 £	Movement £	1986 £
Revaluation reserve:			
Surplus on valuation of freehold property	7,842,016	-	7,842,016
Profit and loss account	165,055,614	20,117,623	144,937,991
	-----	-----	-----
	<u>172,897,630</u>	<u>20,117,623</u>	<u>152,780,007</u>