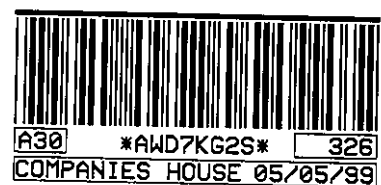


BM LEASING (1992) LIMITED

(Registered No. 1130440)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998



BM LEASING (1992) LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors present their annual report and the audited financial statements for the year ended 31 December 1998.

1. Principal activity

The principal activity of the Company is the leasing of equipment.

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 £129,192 (1997 - loss (£11,646)).
No dividend is proposed for 1998 (1997 - £ nil).

4. Directors and directors' interests

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

E W Lea	(Chairman)
J P Davies	
A C Donald	(Appointed 27/03/98, resigned 04/02/99)
M Ellerby	(Resigned 27/03/98)
A D Walford	
F A Kee	(Resigned 04/02/99)
D A Holden	(Appointed 04/02/99)

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

5. Year 2000

BUPA has a programme to minimise the risks associated with the impact of the millennium bug on its systems and equipment. The objective is to ensure that all critical systems and equipment are fully compliant by mid 1999. The programme has identified all systems and equipment that are date sensitive and categorised them between those to be upgraded and those to be replaced. BUPA has also assessed the possible impact on its businesses, of systems and equipment failure which may be experienced by our customers and suppliers, by means of formal communication with those parties. Contingency plans are being prepared to mitigate disruption that might arise from unexpected system and equipment failures over the period of possible risk.

The compliance programme is being carried out by a dedicated team of technical and business staff led by the Group IS Director. Progress is reported to the Board and to the Audit Committee on a regular basis.

BM LEASING (1992) LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1998 - continued

5. Year 2000 - continued

In accordance with UITF Abstract 20 all costs of enhancing equipment beyond its original estimated life will be capitalised. Other modification costs will be charged to the provision established by the Group in 1997. As at 31 December 1998 the programme is on schedule and £8.1m has been charged against the provision. It is anticipated that the eventual costs required to achieve compliance will not exceed the remainder of the provision (£8.9m).

BUPA is taking all reasonable steps to mitigate disruption to our services, customers and hospital patients and care home residents. Due to the nature of the Year 2000 issue it is not possible to state categorically that BUPA will be fully compliant over the critical period.

6. Auditors

During the financial year an elective resolution not to re-appoint auditors annually was duly passed pursuant to S386 of the Companies Act 1985. Accordingly, KPMG Audit Plc will continue in office as auditors of the Company.

Registered Office :

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

11 March 1999

By Order of the Board



J P Sanders
Secretary

BM LEASING (1992) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The following statement, which should be read in conjunction with the auditor's report set out on page 4, is made for the purpose of clarifying the respective responsibilities of the Directors and the auditor 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.

BM LEASING (1992) LIMITED

REPORT OF THE AUDITOR

TO THE MEMBERS OF BM LEASING (1992) LIMITED

We have audited the financial statements set out on pages 5 to 12.

Respective responsibilities of Directors and the auditor

As described on page 3, 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

London

11 March 1999

KPMG Audit Plc
Chartered Accountants
Registered Auditor

BM LEASING (1992) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	<i>Note</i>	1998 £	1997 £
Turnover	<i>1</i>	5,514,831	498,233
Operating expenses		<u>(5,298,382)</u>	<u>(503,477)</u>
Profit/(Loss) on ordinary activities before taxation	<i>4</i>	216,449	(5,244)
Tax on profit/(loss) on ordinary activities	<i>5</i>	<u>(87,257)</u>	<u>(6,402)</u>
Retained profit/(loss) for the financial year		<u>129,192</u>	<u>(11,646)</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.

BM LEASING (1992) LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1998**

	1998 £	1997 £
Profit/(Loss) for the financial year	129,192	(11,646)
Net addition/(reduction) to shareholders' funds	<u>129,192</u>	<u>(11,646)</u>
Opening shareholders' funds	(27,227)	(15,581)
Closing shareholders' funds	<u>101,965</u>	<u>(27,227)</u>

BM LEASING (1992) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1998

	<i>Note</i>	1998 £	1997 £
Current assets			
Debtors due within one year	6	1,099,396	688,714
Creditors: amounts falling due within one year	8	(997,431)	(715,941)
Total assets less current liabilities		<u>101,965</u>	<u>(27,227)</u>
Net assets/(liabilities)		<u>101,965</u>	<u>(27,227)</u>
Capital and reserves			
Called up share capital	9	10,000	10,000
Share premium account	10	35,066	35,066
Profit and loss account	10	<u>56,899</u>	<u>(72,293)</u>
Shareholders' funds		<u>101,965</u>	<u>(27,227)</u>

These financial statements were approved by the Board of Directors on 11 March 1999 and were signed on its behalf by

D A Holden



Director

The accounting policies and notes on pages 8 to 12 form part of these Financial Statements.

BM LEASING (1992) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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.

(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 operating leases, and finance leases.

(d) Related Party transactions

As the Company is ultimately a wholly owned subsidiary of the British United Provident Association Limited, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed separately transactions or balances with entities which form part of the BUPA Group.

(e) 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.

(f) Operating leases

Operating lease rentals are charged to the profit and loss account in the period in which they are incurred.

(g) 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.

(h) Residual interests

In the majority of cases under the finance lease arrangements, B M Leasing (1992) 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 B M Leasing (1992) at the termination of the lease or from rentals resulting from anticipated secondary leases until these are realised.

BM LEASING (1992) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 - continued

2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of BUPA Investments Limited, which is registered in England and Wales. A copy of BUPA Investments Limited's financial statements are available to the public from The Registrar of Companies, Cardiff, CF4 3UZ.

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

Employees

The Company had no employees during the year (1997 : nil) and consequently incurred no staff costs.

No remuneration was paid to any of the directors for the year (1997 :£ nil).

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	1997
	£	£
<i>Profit/(Loss) on ordinary activities is stated after charging / (crediting) :</i>		
Operating rentals payable	5,254,997	471,180
Auditor's remuneration	2,760	2,920
Other operating charges	40,625	29,377
Rentals receivable under operating leases	(5,514,708)	(497,747)
Gross earnings under finance leases	(123)	(360)
The aggregate rentals received under finance leases are as follows:		
Finance charges	(143)	(376)
Capital repayments	(2,259)	(4,452)

BM LEASING (1992) LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998 - continued**

5. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1998	1997
The taxation charge is based on the result for the year :	£	£
UK corporation tax at 31% (1997 - 31.5%)	68,494	2,430
Taxation under provided in previous years :		
Group Relief	18,763	3,972
	<u>87,257</u>	<u>6,402</u>
 6. DEBTORS	 1998	 1997
Amounts falling due within one year:	£	£
Amounts due from Group undertakings	115,468	-
Net investment in finance leases	-	2,279
Other debtors	983,928	686,435
	<u>1,099,396</u>	<u>688,714</u>
 7. INVESTMENTS IN FINANCE AGREEMENTS	 1998	 1997
The Company's investments in finance leases can be allocated as follows :	£	£
Minimum lease payments	-	2,279
Finance allocated to future periods	-	123
	<u>-</u>	<u>2,402</u>
 Of which due within one year	 <u>-</u>	 <u>2,279</u>
Lease payments receivable in year	2,382	4,812
	<u>-</u>	<u>-</u>
Cost of equipment acquired during the year	-	-

BM LEASING (1992) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 - continued

8. CREDITORS - amounts falling due within one year :

	1998	1997
	£	£
Amounts owed to Group undertakings	-	(8,090)
Other creditors	(997,431)	(707,851)
	<u>(997,431)</u>	<u>(715,941)</u>

9. SHARE CAPITAL

	1998	1997
	£	£
Authorised		
100,000 ordinary shares of 10 pence each	<u>10,000</u>	<u>10,000</u>
Allotted, called-up and fully paid		
100,000 ordinary shares of 10 pence each	<u>10,000</u>	<u>10,000</u>

10. RESERVES

	Share premium account	Profit and loss account
	£	£
At 1 January 1998	35,066	(72,293)
Retained profit	-	129,192
At 31 December 1998	<u>35,066</u>	<u>56,899</u>

11. COMMITMENTS

Operating leases

At 31 December 1998 the Company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	1,014,050	666,106

BM LEASING (1992) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 - continued

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.

Under a group registration the Company is jointly and severally liable for value added tax due by certain other group companies.