

BUPA PURCHASING LIMITED

(Registered No. 1461499)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



BUPA PURCHASING 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 the procurement of goods and services on behalf of group companies. There have been no significant changes in the activities during the year.

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 £936,578 (1996 - £3,803,046).
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:

E W Lea (Chairman)
J P Davies
M Ellerby
D P T Hayes
A D Walford

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

5. Auditor

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

Registered Office :

BUPA House,
15-19 Bloomsbury Way,
London WC1A 2BA

12th March 1998

By Order of the Board



J P Sanders
Secretary

BUPA PURCHASING 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 3, 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.

BUPA PURCHASING LIMITED

REPORT OF THE AUDITOR

TO THE MEMBERS OF BUPA PURCHASING LIMITED

We have audited the financial statements set out on pages 4 to 13.

Respective responsibilities of directors and auditor

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

12th March 1998

KPMG Audit Plc
Chartered Accountants
Registered Auditor

BUPA PURCHASING LIMITED**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover	<i>1</i>	11,735,379	18,646,817
Other operating income		<u>188,506</u>	<u>12,606</u>
		11,923,885	18,659,423
Depreciation and other amounts written off tangible fixed assets		(181,818)	(12,481)
Other operating expenses		<u>(10,235,880)</u>	<u>(16,765,311)</u>
Operating profit		1,506,186	1,881,631
Interest receivable and similar income	<i>4</i>	<u>-</u>	<u>3,969,345</u>
Profit on ordinary activities before taxation	<i>5</i>	1,506,186	5,850,976
Tax on profit on ordinary activities	<i>6</i>	<u>(569,608)</u>	<u>(2,047,930)</u>
Retained profit for the financial year	<i>14</i>	<u>936,578</u>	<u>3,803,046</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.

BUPA PURCHASING LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1997**

	1997 £	1996 £
Profit for the financial year	936,578	3,803,046
Net addition to shareholders' funds	936,578	3,803,046
Opening shareholders' funds	9,593,199	5,790,153
Closing shareholders' funds	10,529,777	9,593,199

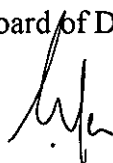
BUPA PURCHASING LIMITED**BALANCE SHEET**

as at 31 December 1997

	<i>Note</i>	1997 £	1996 £
Fixed assets			
Tangible assets	7	-	143,532
Investments	11	20,599,002	20,599,002
		<u>20,599,002</u>	<u>20,742,534</u>
Current assets			
Debtors: amounts falling due within one year	8	2,893,498	1,060,370
Debtors: amounts falling due after more than one year	8	181,088,692	254,120,591
		<u>183,982,190</u>	<u>255,180,961</u>
Cash at bank and in hand		60,581	291,956
		<u>184,042,771</u>	<u>255,472,917</u>
Creditors: amounts falling due within one year	9	(194,111,996)	(81,219,814)
Net current (liabilities)/assets		<u>(10,069,225)</u>	<u>174,253,103</u>
Total assets less current liabilities		<u>10,529,777</u>	<u>194,995,637</u>
Creditors: amounts falling due after more than one year	10	-	(180,000,000)
Provisions for liabilities and charges	12	-	(5,402,438)
Net assets		<u>10,529,777</u>	<u>9,593,199</u>
Capital and reserves			
Called up share capital	13	625,625	625,625
Profit and loss account	14	9,904,152	8,967,574
Shareholders' funds		<u>10,529,777</u>	<u>9,593,199</u>

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

E W Lea



Director

The accounting policies and notes on pages 7 to 13 form part of these financial statements.

BUPA PURCHASING 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 total amount earned by the company in the ordinary course of business with other group undertakings for goods supplied and services rendered after deducting trade discounts and value added tax, where applicable. All turnover arises within the United Kingdom.

(d) Operating leases

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

Assets leased to other group undertakings under operating leases are included in tangible fixed assets and are stated at historical cost. Revenue is recognised on an accruals basis.

(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.

BUPA PURCHASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

2. GROUP COMPANIES

- (a) 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.

- (b) Under section 228 of the Companies Act 1985, the company is exempt from the obligation to prepare group accounts and to deliver them to The Registrar of Companies. Therefore, these financial statements are prepared for the company as an individual and not as a group.

3. STAFF COSTS AND DIRECTORS' REMUNERATION

Employees

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. INTEREST RECEIVABLE AND SIMILAR INCOME

	1997	1996
	£	£
Receivable from Group undertakings	-	3,969,345
	<hr/>	<hr/>
	-	3,969,345
	<hr/>	<hr/>

BUPA PURCHASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 1997

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
<i>Profit on ordinary activities is stated after charging :</i>		
Depreciation and other amounts written off tangible fixed assets	181,818	12,481
Auditor's remuneration	2,680	1,800
Other operating costs	10,233,200	16,763,511
	<u>10,417,698</u>	<u>16,777,792</u>
<i>after crediting :</i>		
Rentals receivable under operating leases	<u>(188,506)</u>	<u>(12,606)</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The taxation charge is based on the result for the year :		
UK corporation tax at 31.5% (1996 - 33%)	37,709	1,346,352
Deferred taxation	432,608	701,970
	<u>470,317</u>	<u>2,048,322</u>
Taxation under/(over) provided in previous years :		
Corporation tax	-	(3,715,780)
Deferred taxation	99,291	-
Group relief	-	3,715,388
	<u>569,608</u>	<u>2,047,930</u>

The corporation tax liability for the year has been reduced by £37,709 (1996 - £1,346,352) as a result of group relief for a fellow subsidiary undertaking's losses.

BUPA PURCHASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 December 1997****7. TANGIBLE FIXED ASSETS**

	Land & buildings	Total
Cost or valuation	£	£
At 1 January 1997	187,216	187,216
Disposals	(187,216)	(187,216)
At 31 December 1997	-	-
Depreciation		
At 1 January 1997	43,684	43,684
Charge for the year	12,481	12,481
On disposals	(56,165)	(56,165)
At 31 December 1997	-	-
Net Book Value		
At 31 December 1997	-	-
At 31 December 1996	143,532	143,532
Depreciable amount		
At 31 December 1997		-
Depreciable amount		
At 31 December 1996		187,216

The land and buildings owned by BUPA Purchasing Limited were categorised as short leasehold.

BUPA PURCHASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

8. DEBTORS

	1997	1996
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	-	112,027
Other debtors	30,461	210,167
Prepayments and accrued income	2,863,037	738,176
	<u>2,893,498</u>	<u>1,060,370</u>

	1997	1996
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	180,000,000	252,500,000
Deferred taxation	1,088,692	1,620,591
	<u>181,088,692</u>	<u>254,120,591</u>

Analysis of Deferred Tax Asset :

	Deferred taxation £
At 1 January 1997	1,620,591
Charge for the year	(531,899)
At 31 December 1997	<u>1,088,692</u>

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

	Provided		Not provided	
	1997	1996	1997	1996
	£	£	£	£
Accelerated capital allowances	-	(45,852)	-	-
Other timing differences	1,088,692	1,666,443	-	-
	<u>1,088,692</u>	<u>1,620,591</u>	<u>-</u>	<u>-</u>

9. CREDITORS - amounts falling due within one year :

	1997	1996
	£	£
Bank overdraft	154,838	150,933
Payments received on account	186,572,077	6,575,923
Trade creditors	97,816	272,385
Amounts owed to group undertakings	7,269,423	73,679,165
Accruals and deferred income	15,642	539,608
Other creditors	2,200	1,800
	<u>194,111,996</u>	<u>81,219,814</u>

BUPA PURCHASING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****for the year ended 31 December 1997**

10. CREDITORS - amounts falling due after more than one year :	1997	1996
	£	£
Payments received on account	-	(180,000,000)
	<u>-</u>	<u>(180,000,000)</u>

11. INVESTMENTS	1997	1996
	£	£
Shares in group undertakings	<u>20,599,002</u>	<u>20,599,002</u>
	<u>20,599,002</u>	<u>20,599,002</u>

In the opinion of the Directors, the investments in the Company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

The principal subsidiary undertakings of the Company are listed below, all of which are wholly owned and are, unless otherwise stated, registered in England and Wales.

100% shareholding in :	Class of share	Nominal value
BUPA Dunedin Hospital Limited	30,000 Ordinary Shares of £1	£30,000

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Other provisions
	£
At 1 January 1997	5,402,438
Charge for the year	<u>(5,402,438)</u>
At 31 December 1997	<u>-</u>

13. SHARE CAPITAL	1997	1996
	£	£
Authorised		
1,100,000 ordinary shares of £1 each	<u>1,100,000</u>	<u>1,100,000</u>
Allotted, called-up and fully paid		
625,625 ordinary shares of £1 each	<u>625,625</u>	<u>625,625</u>

BUPA PURCHASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1997

14. RESERVES

	Profit and loss account £
At 1 January 1997	8,967,574
Retained profit	936,578
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At 31 December 1997	9,904,152
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15. COMMITMENTS

The company has no obligation in respect of future capital expenditure.

16. 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.