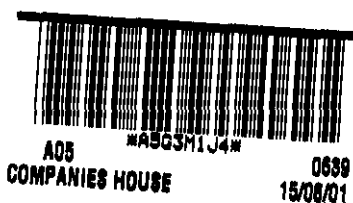


TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

(Registered No. 2345011)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000



TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 December 2000

The Directors present their annual report and the audited financial statements for the year ended 31 December 2000.

1. Principal activity

The principal activity of the Company is the operation of a private hospital.

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 £1,536,425 (1999 - profit £967,913).
No dividend is proposed for 2000 (1999 - £ nil).

4. Directors and directors' interests

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

H J Barker	(resigned 3 March 2000)
J P Davies	
D A Gray	(appointed 3 March 2000)
D A Holden	
C M Hollingsworth	
E W Lea	
A D Walford	

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

5. Auditors

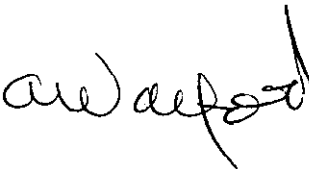
Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office :

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

15 March 2001

By Order of the Board


A D Walford
Secretary

TUNBRIDGE WELLS INDEPENDENT HOSPITAL 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 period 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.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

We have audited the financial statements set out on pages 4 to 15.

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. 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 the Company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London

15 March 2001


KPMG Audit Plc
Chartered Accountants
Registered Auditor

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Turnover		6,141,167	5,589,778
Operating expenses		<u>(4,971,407)</u>	<u>(4,609,708)</u>
Operating profit		1,169,760	980,070
Profit on disposal of fixed assets		390,428	-
Interest payable and similar charges	4	(1,646)	(1,646)
Profit on ordinary activities before taxation	5	<u>1,558,542</u>	<u>978,424</u>
Tax on profit on ordinary activities	6	(22,117)	(10,511)
Retained profit for the financial year		<u>1,536,425</u>	<u>967,913</u>

The operating profit is all derived from continuing operations.

There were no recognised profit or 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.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

BALANCE SHEET

as at 31 December 2000

	<i>Note</i>	2000 £	1999 £
Fixed assets			
Tangible assets	7	1,182,532	1,675,820
Current assets			
Consumable stocks		169,911	145,297
Debtors due within one year	8	3,317,991	1,698,810
Cash at bank and in hand		67	182,493
		<u>3,487,969</u>	<u>2,026,600</u>
Creditors: amounts falling due within one year	9	(624,266)	(1,218,020)
Net current assets		<u>2,863,703</u>	<u>808,580</u>
Total assets less current liabilities		<u>4,046,235</u>	<u>2,484,400</u>
Creditors: amounts falling due after more than one year	10	-	(12,873)
Provisions for liabilities and charges	12	(94,128)	(55,845)
		<u>3,952,107</u>	<u>2,415,682</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	3,952,106	2,415,681
Equity shareholders' funds		<u>3,952,107</u>	<u>2,415,682</u>

These financial statements were approved by the Board of Directors on 15 March 2001 and were signed on its behalf by

D A Gray



Director

The accounting policies and notes on pages 7 to 15 form part of these financial statements.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 2000

	2000 £	1999 £
Profit for the financial year	1,536,425	967,913
Opening shareholders' funds	2,415,682	1,447,769
Closing shareholders' funds	<u>3,952,107</u>	<u>2,415,682</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

1. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting convention modified to include the revaluation of certain land and buildings and on a going concern basis.

As the Company is a wholly owned subsidiary undertaking it is exempt from the requirements of Financial Reporting Standard 8 to disclose details of transactions with other members of the BUPA group of companies.

Changes in accounting policies

Financial Reporting Standard 15 "Tangible Fixed Assets" (FRS 15) has been applied for the first time in the current financial year.

FRS 15 provides guidance on the costs that can be capitalised as fixed assets. For example project feasibility costs and certain administrative costs can no longer be capitalised. These costs are now expensed as incurred. There is no material impact on the Company's 1999 Accounts, and accordingly no prior year adjustment has been made to these financial statements. The Company has adopted the option available within the transitional arrangements under FRS 15 to continue to treat the historic costs as the book value of fixed assets, with the exception of property which will continue to be revalued. In accordance with FRS 15 interim valuations will be made every three years and full valuations will be completed at least every five years.

Financial Reporting Standard 16 "Current Tax" also became mandatory for the current financial year. There has been no impact on the Company's Accounts as the Company has been in compliance with the Standard since 1999.

Accounting conventions

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

Cash flow statement

The Company is exempt from the requirement of Financial Reporting Standard 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.

Turnover

Turnover represents the amounts derived from the provision of private care services in the UK, after deducting trade discounts and Value Added Tax.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

1. STATEMENT OF ACCOUNTING POLICIES - continued

Fixed assets and depreciation

Freehold and leasehold properties including hospital properties are stated at cost or valuation; other tangible assets are stated at cost.

Unrealised gains/losses are taken to revaluation reserves or the profit and loss account in accordance with Financial Reporting Standard 15 "Tangible Fixed Assets."

No depreciation is provided on freehold land or properties under construction.

Other tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their estimated economic lives, as follows:

Freehold buildings	- 50 years
Leasehold land and buildings	- term of the lease
Plant and machinery	- 3 - 10 years
Fixtures, fittings & equipment	- 3 - 10 years

Taxation

The charge for taxation is based on the result for the period 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. No payment is made for group relief claimed or surrendered.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price, less trade discounts, and less all costs to be incurred in marketing, selling and distribution.

Leases

Leasing arrangements which transfer to the Company substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in tangible assets and depreciated over their estimated economic lives or over the term of the lease, whichever is the shorter. The capital element of the leasing commitments is included in liabilities as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the profit and loss account in proportion to the capital element outstanding.

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

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Goldsborough Developments Limited which is registered in England and Wales.

The ultimate holding company is The British United Provident Association Limited (BUPA), 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 average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2000	1999
Medical	60	64
Non Medical	31	32
	<hr/>	<hr/>
	91	96

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£	£
Wages and salaries	1,662,085	1,653,228
Social security costs	112,961	140,504
Other pension costs (see Note 15)	69,499	105,857
	<hr/>	<hr/>
	1,844,545	1,899,589

No remuneration was paid to any of the directors for the year (1999 : £ nil).

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Finance charges payable in respect of finance leases	<u>1,646</u>	<u>1,646</u>

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
<i>Profit on ordinary activities is stated after charging :</i>		
Depreciation on tangible fixed assets :		
Owned	146,618	147,099
Leased	8,045	8,045
Finance charges payable – finance leases and hire purchase	1,646	1,646
Hire of plant and machinery - rentals payable	197,244	133,334
Hire of other assets - rentals payable under operating leases	<u>375,000</u>	<u>440,625</u>

Auditors' remuneration in the current and previous period is borne by a fellow group undertaking.

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
The taxation charge is based on the result for the year:		
UK corporation tax at 30% (1999 : 30.25%)	-	-
Deferred taxation	16,614	-
	<u>16,614</u>	<u>-</u>
Taxation (over)/under provided in previous years :		
Corporation tax	5,503	14,837
Deferred taxation	<u>-</u>	<u>(4,326)</u>
	<u>22,117</u>	<u>10,511</u>

The current year's UK corporation tax charge has been eliminated due to surrender of group relief from a related party, for which no payment has been made. The current year UK corporation tax charge would have otherwise have amounted to £353,841 (1999 : £307,040).

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

7 TANGIBLE FIXED ASSETS

Cost or valuation	Freehold property under construction £	Medical equipment, fixtures & fittings £	Total £
At 1 January 2000	797,648	1,294,270	2,091,918
Additions	39,240	459,023	498,263
Disposals	(836,888)	-	(836,888)
At 31 December 2000	-	1,753,293	1,753,293
Depreciation			
At 1 January 2000	-	416,098	416,098
Charge for the period	-	154,663	154,663
At 31 December 2000	-	570,761	570,761
Net Book Value			
At 31 December 2000	-	1,182,532	1,182,532
At 31 December 1999	797,648	878,172	1,675,820
Depreciable amount at 31 December 2000	-	1,753,293	1,753,293
Depreciable amount at 31 December 1999	-	1,294,270	1,294,270

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2000

7 TANGIBLE FIXED ASSETS - continued

The net book value of land and buildings comprises :	2000 £	1999 £
Freehold - under construction	<u>-</u>	<u>655,308</u>
Particulars relating to revalued assets are given below :	2000 £	1999 £
Land and buildings		
At 1997 existing use value	-	655,308
At cost	-	142,340
Aggregate depreciation thereon	-	-
	<u>-</u>	<u>797,648</u>
Historical cost of revalued assets	-	1,179,232
Aggregate depreciation based on historical cost	-	-
	<u>-</u>	<u>1,179,232</u>

Included in the net book value of fixtures, fittings and equipment is £36,874 (1999 : £44,919) in respect of assets held under finance leases. Depreciation for the year on these assets was £8,045 (1999 : £8,045).

8 DEBTORS

	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	752,087	787,256
Amounts owed by Group undertakings	1,238,265	751,150
Other debtors	1,292,849	125,630
Prepayments and accrued income	34,790	34,774
	<u>3,317,991</u>	<u>1,698,810</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

9 CREDITORS - amounts falling due within one year :

	2000 £	1999 £
Bank overdraft	143,633	-
Trade creditors	204,968	137,391
Amounts owed to group undertakings	41,892	67,993
Taxation and social security	-	326,676
Other creditors	59,633	124,013
Accruals and deferred income	161,266	549,075
Obligations under finance leases	<u>12,874</u>	<u>12,872</u>
	<u>624,266</u>	<u>1,218,020</u>

10 CREDITORS - amounts falling due after more than one year :

	2000 £	1999 £
Obligations under finance leases	<u>-</u>	<u>12,873</u>

11 OBLIGATIONS UNDER FINANCE LEASES

	2000 £	1999 £
The maturity of obligations under finance leases is as follows :		
Within one year	14,520	14,518
Between one and five years	-	14,519
	<u>14,520</u>	<u>29,037</u>
Less : finance charges allocated to future periods	<u>(1,646)</u>	<u>(3,292)</u>
	<u>12,874</u>	<u>25,745</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Pension £	Deferred taxation £	Total £
At 1 January 2000	55,845	-	55,845
Charge for the period	21,669	16,614	38,283
Transfers	-	-	-
At 31 December 2000	<u>77,514</u>	<u>16,614</u>	<u>94,128</u>

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

	Provided		Not Provided	
	2000 £	1999 £	2000 £	1999 £
Accelerated capital allowances	39,868	-	-	-
Other	<u>(23,254)</u>	-	<u>-</u>	<u>-</u>
	<u>16,614</u>	-	<u>-</u>	<u>-</u>

13 SHARE CAPITAL

	2000 £	1999 £
Authorised		
200,000 ordinary shares of 50p each	<u>100,000</u>	<u>100,000</u>
Allotted, called-up and fully paid		
2 ordinary shares of 50p each	<u>1</u>	<u>1</u>

14 RESERVES

	Profit and loss account £
At 1 January 2000	2,415,681
Retained profit	<u>1,536,425</u>
At 31 December 2000	<u>3,952,106</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2000

15 PENSIONS

The Group operates defined contribution and defined benefit pension schemes for the benefit of the staff. The principal scheme, The BUPA Pension Scheme is a defined benefit pension scheme which provides benefits based on final pensionable salary. Under this scheme, contributions by employees and the Group are administered by trustees in funds independent of the Group. The scheme is funded to cover future pension liabilities allowing for future earnings and pension increases. On the basis of detailed valuations undertaken every three years and periodic interim reviews, an independent actuary recommends the rates of contribution.

The latest valuation of the main UK scheme was carried out as at 1 July 1999. Details of the latest valuation of the scheme are included in the financial statements of the ultimate holding company.

Pension costs charged in the year are stated in note 3. Employer contributions were paid at the rate of 13% of pensionable salary with effect from 1 July 1999 to 30 June 2000, since which date there has been a pension contribution holiday. The financial statements include a provision (see note 12) of £77,514 (1999 : £55,845) representing the excess of the accumulated cost over the contributions made.

16 COMMITMENTS

Operating leases

At 31 December 2000 the Company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Operating leases which expire:				
Between two and five years	-	-	40,464	43,971
Over five years	375,000	440,625	-	-
	<u>375,000</u>	<u>440,625</u>	<u>40,464</u>	<u>43,971</u>

17 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.

The Company has given a guarantee and other undertakings in respect of the loans 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.