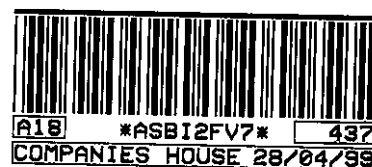


TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

(Registered No. 2345011)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998



TUNBRIDGE WELLS INDEPENDENT HOSPITAL 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 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 £665,770 (1997 - loss £81,590).

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:

H J Barker	(appointed 4 February 1999)
R I Burns	(appointed 4 February 1999)
J P Davies	
M Ellerby	(appointed 27 March 1998 and resigned 4 February 1999)
I Fozard	(resigned 25 September 1998)
D A Holden	(appointed 4 February 1999)
C Hollingsworth	(appointed 4 February 1999)
F A Kee	(resigned 4 February 1999)
E W Lea	(appointed 4 February 1999)
G Smith	(resigned 4 February 1999)
J G Wheaton	(resigned 28 August 1998)
A D Walford	(appointed 4 February 1999)

There were no Directors' interests requiring disclosure under Section 234 of the Companies Act 1985 other than details of share options granted to G Smith and I Fozard in BUPA Care Services Limited (formerly Goldsborough Healthcare PLC) which are set out in the financial statements of that company.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 December 1998 - continued

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.

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, 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 Section 386 of the Companies Act 1985. Accordingly, KPMG Audit Plc will continue in office as auditors of the Company.

Registered Office :

Bridge House
Outwood Lane
Horsforth
Leeds
LS18 4UP

11 March 1999

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 4, 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 5 to 16.

Respective responsibilities of directors and auditors

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.

London

11 March 1999

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Note</i>	1998 £	15 months to 31 December 1997 £
Turnover		4,562,780	5,301,555
Operating expenses		(3,873,706)	(4,546,077)
Exceptional items	4	-	(543,457)
Total operating expenses		<u>(3,873,706)</u>	<u>(5,089,534)</u>
Operating profit		689,074	212,021
Interest payable and similar charges	5	(1,646)	(1,646)
Profit on ordinary activities before taxation	6	<u>687,428</u>	<u>210,375</u>
Tax on profit on ordinary activities	7	(21,658)	(291,965)
Retained profit/(loss) for the financial year/period		<u>665,770</u>	<u>(81,590)</u>

The operating profit is all derived from continuing operations.

There were no recognised profit or losses other than the profit/(loss) for the financial year/period.

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

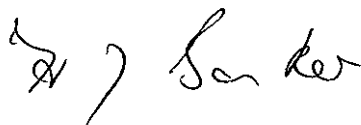
BALANCE SHEET

as at 31 December 1998

	<i>Note</i>	1998 £	1997 £
Fixed assets			
Tangible assets	8	1,380,190	1,075,076
Current assets			
Consumable stocks		173,531	163,756
Debtors		961,031	1,341,670
Debtors due within one year	9	961,031	604,933
Debtors due after one year	9	-	736,737
Cash at bank and in hand		67	16,108
		<hr/> 1,134,629	<hr/> 1,521,534
Creditors: amounts falling due within one year	10	(1,036,979)	(608,235)
Net current assets		<hr/> 97,650	<hr/> 913,299
Total assets less current liabilities		<hr/> 1,477,840	<hr/> 1,988,375
Creditors: amounts falling due after more than one year	11	(25,745)	(1,198,453)
Provisions for liabilities and charges	13	(4,326)	(7,923)
		<hr/> 1,447,769	<hr/> 781,999
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	1,447,768	781,998
Equity shareholders' funds		<hr/> 1,447,769	<hr/> 781,999

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

H J Barker



Director

The accounting policies and notes on pages 8 to 16 form part of these financial statements.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1998

	1998	15 months to 31 December 1997
	£	£
Profit/(loss) for the financial year/period	665,770	(81,590)
Opening shareholders' funds	781,999	863,589
Closing shareholders' funds	<u>1,447,769</u>	<u>781,999</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL 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 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 No.8 to disclose details of transactions with other members 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 amounts derived from the provision of private care services in the UK, after deducting trade discounts and Value Added Tax.

(d) Fixed assets and depreciation

Freehold and leasehold properties including hospital properties are stated at current value; other tangible assets are stated at cost. 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

(e) 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. It is expected that trading losses surrendered will be made on a full payment basis.

(f) Stocks

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

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

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

1. STATEMENT OF ACCOUNTING POLICIES - continued

(g) Operating leases

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

(h) Finance leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

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.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

3 STAFF COSTS AND DIRECTORS' REMUNERATION

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	1998	15 months to 31 December 1997
Medical	44	42
Administration and ancillary	32	32
	<hr/>	<hr/>
	76	74

The aggregate payroll costs of these persons were as follows:

	1998	15 months to 31 December 1997
	£	£
Wages and salaries	1,464,848	1,818,494
Social security costs	121,202	142,090
Other pension costs (see Note 16)	38,535	23,272
	<hr/>	<hr/>
	1,624,585	1,983,856

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

4 EXCEPTIONAL ITEMS

	1998	15 months to 31 December 1997
	£	£
Permanent diminution in value of land and buildings	-	381,584
Write down of equipment following reassessment of asset lives	-	161,873
	<hr/>	<hr/>
	-	543,457

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

5 INTEREST PAYABLE AND SIMILAR CHARGES

15 months to
31 December
1997
£

	1998 £	
Finance charges payable in respect of finance leases	<u>1,646</u>	<u>1,646</u>

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

15 months to
31 December
1997
£

Profit on ordinary activities is stated after charging :

Depreciation

on tangible fixed assets :

Owned	136,930	108,270
Leased	8,045	3,352
Finance charges payable – finance leases and hire purchase	1,646	1,646
Hire of plant and machinery - rentals payable	21,575	2,473
Hire of other assets - rentals payable under operating leases	<u>484,596</u>	<u>576,083</u>

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

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

15 months to
31 December
1997
£

The taxation charge/(credit) is based on the result for the period:

UK corporation tax at 31% (1997 : 31.5%)	219,752	252,032
Deferred taxation	(3,470)	7,923
	<u>216,282</u>	<u>259,955</u>
Taxation (over)/under provided in previous years :		
Corporation tax	(194,497)	32,010
Deferred taxation	<u>(127)</u>	<u>-</u>
	<u>21,658</u>	<u>291,965</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

8 TANGIBLE FIXED ASSETS

Cost or valuation	Freehold property under construction £	Medical equipment, fixtures & fittings £	Total £
At 1 January 1998	655,308	535,747	1,191,055
Additions	230,300	219,789	450,089
	<hr/>	<hr/>	<hr/>
At 31 December 1998	885,608	755,536	1,641,144
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 1998	-	115,979	115,979
Charge for the period	-	144,975	144,975
	<hr/>	<hr/>	<hr/>
At 31 December 1998	-	260,954	260,954
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 December 1998	885,608	494,582	1,380,190
At 31 December 1997	655,308	419,768	1,075,076
	<hr/>	<hr/>	<hr/>
Depreciable amount at 31 December 1998	-	755,536	755,536
	<hr/>	<hr/>	<hr/>
Depreciable amount at 31 December 1997	-	535,747	535,747
	<hr/>	<hr/>	<hr/>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

8 TANGIBLE FIXED ASSETS - continued

Particulars relating to revalued assets are given below :	1998 £	1997 £
Land and buildings		
At open market value	655,308	655,308
At cost	230,300	-
Aggregate depreciation thereon	-	-
	<hr/> 885,608 <hr/>	<hr/> 655,308 <hr/>
Historical cost of revalued assets	1,267,192	1,036,892
Aggregate depreciation based on historical cost	-	-
	<hr/> 1,267,192 <hr/>	<hr/> 1,036,892 <hr/>

Included in the net book value of fixtures, fittings and equipment is £52,964 (1997 : £61,009) in respect of assets held under finance leases. Depreciation for the year on these assets was £8,045 (1997 : £3,000).

The Directors have considered the valuation of the property and are satisfied with the carrying value.

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

9 DEBTORS

	1998	1997
	£	£
Amounts falling due within one year:		
Trade debtors	628,763	570,551
Amounts owed by Group undertakings	246,484	-
Other debtors	53,452	3,074
Prepayments and accrued income	32,332	31,308
	<u>961,031</u>	<u>604,933</u>

	1998	1997
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>-</u>	<u>736,737</u>

10 CREDITORS - amounts falling due within one year :

	1998	1997
	£	£
Bank overdraft	576,485	-
Trade creditors	111,546	227,405
Amounts owed to group undertakings	155,359	-
Corporation tax	10,775	163,579
Taxation and social security	-	30,722
Other creditors	20,517	21,196
Accruals and deferred income	149,425	152,461
Obligations under finance leases	12,872	12,872
	<u>1,036,979</u>	<u>608,235</u>

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

	1998	1997
	£	£
Obligations under finance leases	25,745	38,617
Amounts owed to Group undertakings	<u>-</u>	<u>1,159,836</u>
	<u>25,745</u>	<u>1,198,453</u>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1998

12 OBLIGATIONS UNDER FINANCE LEASES

	1998 £	1997 £
The maturity of obligations under finance leases is as follows :		
Within one year	14,518	14,518
Between two and five years	29,037	43,555
	<u>43,555</u>	<u>58,073</u>
Less : finance charges allocated to future periods	<u>(4,938)</u>	<u>(6,584)</u>
	<u>38,617</u>	<u>51,489</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1998	7,923
Credit for the period	(3,597)
	<u>4,326</u>
At 31 December 1998	

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

	Provided		Not Provided	
	1998	1997	1998	1997
	£	£	£	£
Accelerated capital allowances	<u>4,326</u>	<u>7,923</u>	<u>-</u>	<u>-</u>

14 SHARE CAPITAL

	1998 £	1997 £
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>

TUNBRIDGE WELLS INDEPENDENT HOSPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1998

15 RESERVES

	Profit and loss account £
At 1 January 1998	781,998
Retained profit	665,770
At 31 December 1998	<u>1,447,768</u>

16 PENSIONS

The company contributes to a money purchase scheme for certain employees. Payment arrangements are variable with contribution made by both the company and employees. In addition the company contributes towards a number of personal pension schemes. The total pension cost to the company in the period amounted to £38,535 (1997 : £23,272).

17 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:				
Between two and five years	-	-	43,971	33,000
Over five years	440,625	440,625	-	-
	<u>440,625</u>	<u>440,625</u>	<u>43,971</u>	<u>33,000</u>

18 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.