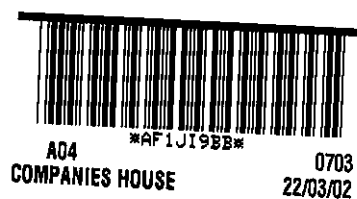


Tunbridge Wells Independent Hospital Limited

(Registered No. 2345011)

Directors' Report and Financial Statements

For the Year Ended 31 December 2001



Tunbridge Wells Independent Hospital Limited

Report of the directors for the year ended 31 December 2001

The Directors present their annual report and the audited financial statements for the year ended 31 December 2001.

1. Principal activity

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

2. Review of the business

On 21 December 2001, the Company sold the whole of its operations to BUPA Hospitals Limited. The completion date for the purchase was 31 December 2001.

Following the sale of its operations the Company will not trade in the coming year.

3. Results and dividends

The profit for the year, after taxation and before dividends, amounted to £8,087,085 (2000 - profit £1,536,425).

On 12 March 2002, the Company proposed the payment of an interim £11,000,000 ordinary dividend to its holding company, Goldsborough Developments Limited (2000 - £ nil).

4. Directors and directors' interests

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

J P Davies	
M I Dugdale	(appointed 1 January 2002)
D A Gray	
D A Holden	(resigned 31 December 2001)
C M Hollingsworth	
R King	(appointed 1 August 2001)
E W Lea	(resigned 13 September 2001)
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

14 March 2002

By Order of the Board



A D Walford
Secretary

Tunbridge Wells Independent Hospital Limited

Statement of directors' responsibilities in respect 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

Independent Auditors' report 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 1985. 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 2001 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

14 March 2002

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Tunbridge Wells Independent Hospital Limited

Profit and Loss Account for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Turnover		6,842,445	6,141,167
Operating expenses		<u>(6,011,664)</u>	<u>(4,971,407)</u>
Operating profit		830,781	1,169,760
Profit on disposal of fixed assets		-	390,428
Profit on sale of business		7,241,336	-
Interest payable and similar charges	4	(1,646)	(1,646)
Profit on ordinary activities before taxation	5	<u>8,070,471</u>	<u>1,558,542</u>
Tax on profit on ordinary activities	6	16,614	(22,117)
Profit on ordinary activities after taxation		<u>8,087,085</u>	<u>1,536,425</u>
Dividends	7	(11,000,000)	-
Retained (loss)/profit for the financial year		<u>(2,912,915)</u>	<u>1,536,425</u>

The operating profit is all derived from discontinued operations.

There were no recognised gains 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 2001

	<i>Note</i>	2001 £	2000 £
Fixed assets			
Tangible assets	8	-	1,182,532
Current assets			
Consumable stocks		-	169,911
Debtors due within one year	9	12,039,192	3,317,991
Cash at bank and in hand		-	67
		<u>12,039,192</u>	<u>3,487,969</u>
Creditors: amounts falling due within one year	10	(11,000,000)	(624,266)
Net current assets		<u>1,039,192</u>	<u>2,863,703</u>
Total assets less current liabilities		<u>1,039,192</u>	<u>4,046,235</u>
Provisions for liabilities and charges	12	-	(94,128)
		<u>1,039,192</u>	<u>3,952,107</u>
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	1,039,191	3,952,106
Equity shareholders' funds		<u>1,039,192</u>	<u>3,952,107</u>

These financial statements were approved by the Board of Directors on 14 March 2002 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 2001

	2001 £	2000 £
Retained (loss)/profit for the financial year	(2,912,915)	1,536,425
Opening shareholders' funds	3,952,107	2,415,682
Closing shareholders' funds	<u>1,039,192</u>	<u>3,952,107</u>

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

1. 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 of The British United Provident Association Limited (BUPA), it has taken advantage of the exemption contained in FRS 8 "Related Party Disclosure" and has therefore not disclosed separately transactions or balances with entities which form part of the BUPA group of companies.

Cash flow statement

The Company is exempt from the requirement of FRS 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.

Changes in accounting policies

The Company is complying with FRS 17 "Retirement benefits" for the first time this year. The transitional reporting requirements are being adopted for the next two years and full compliance will be reported in 2003.

Accounting conventions

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

Turnover

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

Fixed assets and depreciation

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

Plant and machinery	- 3 - 10 years
Fixtures, fittings & equipment	- 3 - 10 years

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

1. Accounting policies - continued

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.

2. Ultimate holding company

The Company is a wholly owned subsidiary of Goldsbrough 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 2001

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	
	2001	2000
Medical	69	60
Non Medical	34	31
	<hr/>	<hr/>
	103	91
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	1,840,333	1,662,085
Social security costs	129,932	112,961
Other pension costs (see Note 15)	100,837	69,499
	<hr/>	<hr/>
	2,071,102	1,844,545
	<hr/>	<hr/>

No remuneration was paid to any of the directors for the year (2000 : £ nil).

4 Interest payable and similar charges

	2001	2000
	£	£
Finance charges payable in respect of finance leases	<hr/> 1,646	<hr/> 1,646

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

5 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities is stated after charging :</i>		
Depreciation on tangible fixed assets :		
Owned	245,526	146,618
Leased	8,045	8,045
Finance charges payable – finance leases and hire purchase	1,646	1,646
Hire of plant and machinery - rentals payable	165,542	197,244
Hire of other assets - rentals payable under operating leases	375,000	375,000
	<hr/>	<hr/>

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

6 Tax on profit on ordinary activities

	2001 £	2000 £
The taxation (credit)/charge is based on the result for the year:		
Deferred taxation	(16,614)	16,614
Taxation (over)/under provided in previous years :		
Corporation tax	<hr/> -	<hr/> 5,503
	<hr/> (16,614)	<hr/> 22,117

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 £269,393 (2000 : £353,841).

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

7 Dividends paid

	2001 £	2000 £
Equity shares		
Final proposed dividend on ordinary shares	<u>11,000,000</u>	<u>-</u>

8 Tangible assets

	Medical equipment, fixtures & fittings £
Cost or valuation	
At 1 January 2001	1,753,293
Additions	308,216
Transfers	<u>(2,061,509)</u>
At 31 December 2001	<u>-</u>

Depreciation

At 1 January 2001	570,761
Charge for the period	253,571
On transfers	<u>(824,332)</u>
At 31 December 2001	<u>-</u>

Net Book Value

At 31 December 2001	<u>-</u>
At 31 December 2000	<u>1,182,532</u>

Depreciable amount at 31 December 2001

Depreciable amount at 31 December 2000	<u>-</u>
-------------------------------------------	----------

Included in the net book value of fixtures, fittings and equipment is £nil (2000 : £36,874) in respect of assets held under finance leases. Depreciation for the year on these assets was £8,045 (2000 : £8,045).

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

9 Debtors

	2001	2000
	£	£
Amounts falling due within one year:		
Trade debtors	-	752,087
Amounts owed by Group undertakings	12,039,192	1,238,265
Other debtors	-	1,292,849
Prepayments and accrued income	-	34,790
	<u>12,039,192</u>	<u>3,317,991</u>

10 Creditors - amounts falling due within one year :

	2001	2000
	£	£
Bank overdraft	-	143,633
Trade creditors	-	204,968
Amounts owed to group undertakings	-	41,892
Taxation and social security	-	-
Other creditors	-	59,633
Accruals and deferred income	-	161,266
Final proposed dividend	11,000,000	-
Obligations under finance leases	-	12,874
	<u>11,000,000</u>	<u>624,266</u>

11 Obligations under finance leases

	2001	2000
	£	£
The maturity of obligations under finance leases is as follows :		
Within one year	-	14,520
	<u>-</u>	<u>14,520</u>
Less : finance charges allocated to future periods	-	(1,646)
	<u>-</u>	<u>12,874</u>

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

12 Provisions for other risks and charges

	Pension	Deferred taxation	Total
	£	£	£
At 1 January 2001	77,514	16,614	94,128
Charge/(credit) for the period	77,612	(16,614)	60,998
Transfers	(155,126)	-	(155,126)
At 31 December 2001	-	-	-

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

	Provided		Not Provided	
	2001	2000	2001	2000
	£	£	£	£
Accelerated capital allowances	-	39,868	-	-
Other timing differences	-	(23,254)	-	-
	-	16,614	-	-

13 Share capital

	2001	2000
	£	£
Authorised		
200,000 ordinary shares of 50p each	100,000	100,000
Allotted, called-up and fully paid		
2 ordinary shares of 50p each	1	1

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

14 Reserves

	Profit and loss account £
At 1 January 2001	3,952,106
Retained loss	(2,912,915)
	<hr/>
At 31 December 2001	<u>1,039,191</u>

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 and these include details of complying with the transitional arrangements of FRS 17 "Retirement Benefits

There was a pension contribution holiday from 1 July 2000 to 30 June 2001. Employer contributions were then paid at the rate of 3% of pensionable salary with effect from 1 July 2001 and will increase to the rate of 5% from 1 July 2002. At 31 December 2001 the provision (see note 11) of £155,126 was transferred to BUPA Hospitals Limited (2000 : provision £77,514) representing the excess of the accumulated cost over the contributions made.

Pension costs charged in the year are stated in note 3.

In complying with FRS 17 "Retirement Benefits" the BUPA Pension Scheme will show a deficit between its underlying assets and liabilities but is unable to identify the Company's share on a consistent and reasonable basis. The Company is therefore accounting for its contributions to the scheme as if it were a defined contribution scheme.

Tunbridge Wells Independent Hospital Limited

Notes to the Financial Statements for the year ended 31 December 2001

16 Commitments

Operating leases

At 31 December 2001 the Company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Operating leases which expire:				
Between two and five years	-	-	-	40,464
Over five years	-	375,000	-	-
	<u>-</u>	<u>375,000</u>	<u>-</u>	<u>40,464</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 and 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.

18 Post Balance Sheet Event

On 12 March 2002, the Company proposed the payment of an £11,000,000 ordinary dividend to its holding company, Goldsbrough Developments Limited.