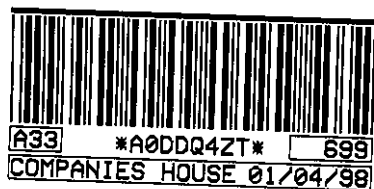


BUPA POWER & LEASING LIMITED

(Registered No. 2507866)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



BUFA POWER & LEASING 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 was the centralised purchasing of fuel and power on behalf of group companies. The company was involved in leasing activities. 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 £381,131 (1996 - loss £1,575,608).
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
A D Walford

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

5 Auditors

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

Registered Office :
BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

12 March 1998

By Order of the Board



J P Sanders
Secretary

BUPA POWER & LEASING 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 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.

REPORT OF THE AUDITORS

TO THE MEMBERS OF BUPA POWER & LEASING LIMITED

We have audited the financial statements set out on pages 4 to 12.

Respective responsibilities of Directors and auditors

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

12 March 1998



KPMG Audit Plc
Chartered Accountants
Registered Auditor

BUPA POWER & LEASING LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

	<i>Note</i>	1997 £	1996 £
Turnover		2,199,160	2,687,671
Cost of Sales		<u>(2,496,216)</u>	<u>(2,312,430)</u>
Gross (Loss)/Profit		(297,056)	375,241
Administrative expenses		<u>(254,474)</u>	<u>(2,981,687)</u>
Operating Loss		(551,530)	(2,606,446)
(Loss)/profit on sale of fixed assets		(471,408)	316,115
Interest receivable and similar income	4	<u>1,179,000</u>	<u>1,185,443</u>
Profit/(loss) on ordinary activities before taxation	5	156,062	(1,104,888)
Tax on profit/(loss) on ordinary activities	6	225,069	(470,720)
Retained profit/(loss) for the financial year		<u><u>381,131</u></u>	<u><u>(1,575,608)</u></u>

The operating loss is all derived from continuing operations.

There were no recognised gains and losses other than the result 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.

BUFA POWER & LEASING LIMITED

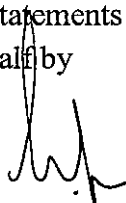
BALANCE SHEET

as at 31 December 1997

	<i>Note</i>	1997 £	1996 £
Fixed assets			
Tangible assets	7	85,927	252,226
Current assets			
Debtors : amounts falling due within one year	8	408,344	603,784
Debtors : amounts falling due after more than one year	8	46,200,000	46,200,000
		<u>46,608,344</u>	<u>46,803,784</u>
Cash at bank and in hand		52,767	-
		<u>46,661,111</u>	<u>46,803,784</u>
Creditors : amounts falling due within one year	9	(45,132,895)	(45,746,000)
Net current assets		<u>1,528,216</u>	<u>1,057,784</u>
Total assets less current liabilities		<u>1,614,143</u>	<u>1,310,010</u>
Provisions for liabilities and charges	10	-	(76,998)
Net assets		<u><u>1,614,143</u></u>	<u><u>1,233,012</u></u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	1,614,141	1,233,010
		<u>1,614,143</u>	<u>1,233,012</u>
Shareholders' funds			
Equity		1,614,143	1,233,012
Non equity		-	-
		<u><u>1,614,143</u></u>	<u><u>1,233,012</u></u>

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

E W Lea



Director

The accounting policies and notes on pages 7 to 12 form part of these Financial Statements.

BUFA POWER & LEASING LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1997

	1997 £	1996 £
Profit/(loss) for the financial year	<u>381,131</u>	<u>(1,575,608)</u>
Net addition/(reduction) to shareholders' funds	381,131	(1,575,608)
Opening shareholders' funds	1,233,012	2,808,620
Closing shareholders' funds	<u><u>1,614,143</u></u>	<u><u>1,233,012</u></u>

BUFA POWER & LEASING 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, under the historical cost accounting convention and on a going concern basis.

As the company is a wholly owned subsidiary of The British United Provident Association Limited (BUPA), it has taken advantage of the exemption contained in FRS8 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) Fixed assets and depreciation

Fixed assets are stated at cost. Assets are depreciated so as to write off the cost by equal instalment over their estimated economic lives, as follows:

Equipment - 5 - 50 years

(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. Revenue is recognised on an accruals basis.

BUPA POWER & LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 1997 - continued

2. ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary undertaking of BUPA Investments Limited which is registered in England and Wales.

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

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	<u>1,179,000</u>	<u>1,185,443</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997	1996
	£	£
<i>Profit on ordinary activities is stated after charging/(crediting):</i>		
Depreciation	54,937	365,574
Auditors' remuneration	1,900	1,800
Exceptional Item	115,666	2,533,362
Rentals receivable under operating leases	<u>(11,101)</u>	<u>(431,594)</u>

Systems development costs written off during the year of £115,666 (1996 : £2,533,362) have been treated as an exceptional item.

BUPA POWER & LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997 - continued

6. TAXATION

	1997	1996
	£	£
The taxation charge is based on the result for the year :		
UK corporation tax at 31.5% (1996 : 33%)	59,227	483,461
Deferred taxation	-	(12,349)
	<u>59,227</u>	<u>471,112</u>
Taxation (over)/under provided in previous years :		
Corporation tax	(207,298)	(392)
Deferred taxation	(76,998)	
	<u>(225,069)</u>	<u>470,720</u>

The corporation tax liability for the year has been reduced by £59,227 (1996 : £483,461) as a result of group relief for a fellow subsidiary undertaking's losses.

7. TANGIBLE FIXED ASSETS

	Equipment
Cost	£
At 1 January 1997	404,130
Additions	360,046
Disposals	(471,408)
At 31 December 1997	<u>292,768</u>
Depreciation	
At 1 January 1997	151,904
Charge for the year	54,937
At 31 December 1997	<u>206,841</u>
Net Book Value	
At 31 December 1997	<u>85,927</u>
At 31 December 1996	<u>252,226</u>
Depreciable amount at 31 December 1997	<u>292,768</u>
Depreciable amount at 31 December 1996	<u>404,130</u>

. BUPA POWER & LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997 - continued

Included in net book value of assets is £68,541 (1996 : £116,330) in respect of assets held for use in operating leases. Depreciation for the year on these assets was £54,535 (1996 : £49,058)

• **BUPA POWER & LEASING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997 - continued

8. DEBTORS

	1997	1996
	£	£
Amounts falling due within one year :		
Amounts owed by Group undertakings	-	13,150
Other debtors	86,844	95,810
Prepayments and accrued income	321,500	494,824
	<u>408,344</u>	<u>603,784</u>

	1997	1996
	£	£
Amounts falling due after more than one year :		
Amounts owed by Group undertakings	<u>46,200,000</u>	<u>46,200,000</u>

9. CREDITORS

	1997	1996
	£	£
Amounts falling due within one year :		
Bank loans and overdrafts	-	52,596
Payments received on account	18,275,063	19,576,513
Amounts owed to Group undertakings	26,534,409	25,621,987
Other creditors including taxation	15,742	358,500
Accruals and deferred income	307,681	136,404
	<u>45,132,895</u>	<u>45,746,000</u>

Payments received on account represent prepayments for services to be rendered to Group undertakings.

• **BUPA POWER & LEASING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997 - continued

10. PROVISIONS FOR LIABILITIES AND CHARGES

	1996
Deferred Taxation	£
At 1 January 1997	76,998
Utilised during the year	(76,998)
	<hr/>
At 31 December 1997	-
	<hr/>

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

	Provided		Not provided	
	1997	1996	1997	1996
	£	£	£	£
Difference between accumulated depreciation and capital allowances	-	76,998	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	76,998	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

11. SHARE CAPITAL

	1997	1996
	£	£
Authorised		
1,000 ordinary shares of £1 each	<hr/> 1,000	<hr/> 1,000
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	<hr/> 2	<hr/> 2

• **BUPA POWER & LEASING LIMITED**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997 - continued

12. RESERVES

	Profit and loss account £
At 1 January 1997	1,233,010
Retained profit	381,131
	<hr/>
At 31 December 1997	<u>1,614,141</u>

13. 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.