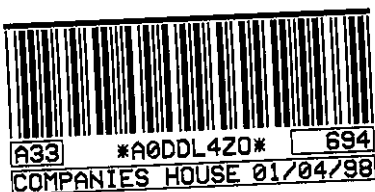


BUPA CONSTRUCTION SERVICES LIMITED
(Formerly Mainreview Ltd)

(Registered No. 2966483)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997



BUPA CONSTRUCTION SERVICES 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 activities

The principal activities of the Company was the provision of development and construction services. The Company also participates in The Hospital Procurement Partnership.

2. Review of the business

On 24 April 1997 the Company changed its name to BUPA Construction Services Limited. The Company has contracted with another group company to provide development and construction services.

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 loss for the year, after taxation, amounted to £1,166,972 (1996 - loss £392,484). 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:

J P Davies (Chairman)
M Ellerby
F A Kee

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 :

By Order of the Board

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

12 March 1998



F A Kee
Director

BUPA CONSTRUCTION SERVICES 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.

BUPA CONSTRUCTION SERVICES LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF BUPA CONSTRUCTION SERVICES LIMITED

We have audited the financial statements set out on pages 4 to 11.

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 loss 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 CONSTRUCTION SERVICES LIMITED**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 1997**

| | <i>Note</i> | 1997 £ | 1996 £ |
|---|-------------|--------------------|------------------|
| Turnover | | 2,054,249 | 106,327 |
| Operating expenses | | (2,029,286) | (102,919) |
| Operating profit | | <u>24,963</u> | <u>3,408</u> |
| Profit on sale of fixed assets | | - | 133,500 |
| Amounts written off investments | | (560,200) | - |
| Losses in participating interest | 4 | (97,859) | (62,836) |
| Interest payable and similar charges | 5 | (807,611) | (471,803) |
| Loss on ordinary activities before taxation | 6 | <u>(1,440,707)</u> | <u>(397,731)</u> |
| Tax on loss on ordinary activities | 7 | 273,735 | 5,247 |
| Retained loss for the financial year | | <u>(1,166,972)</u> | <u>(392,484)</u> |

The operating profit is all derived from continuing operations.

There were no recognised gains and losses other than the loss 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 CONSTRUCTION SERVICES LIMITED

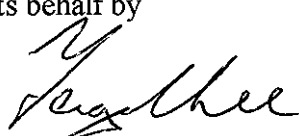
BALANCE SHEET

as at 31 December 1997

| | <i>Note</i> | 1997 £ | 1996 £ |
|--|-------------|--------------------|-------------------|
| Fixed assets | | | |
| Investments | 8 | 8,839,801 | 9,400,001 |
| Current assets | | | |
| Stocks | 9 | 451,039 | - |
| Debtors : amounts falling due within one year | 10 | 16,776,971 | 18,519,835 |
| Debtors : amounts falling due after more than one year | 10 | 100,548,961 | - |
| Cash at bank and in hand | | 45,601 | 29,021 |
| | | <u>117,822,572</u> | <u>18,548,856</u> |
| Creditors: amounts falling due within one year | 11 | (109,919,771) | (10,039,283) |
| Net current assets | | <u>7,902,801</u> | <u>8,509,573</u> |
| Total assets less current liabilities | | <u>16,742,602</u> | <u>17,909,574</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 18,301,650 | 18,301,650 |
| Profit and loss account | 13 | (1,559,048) | (392,076) |
| | | <u>16,742,602</u> | <u>17,909,574</u> |
| Equity shareholders' funds | | | |
| Equity | | 16,741,803 | 17,908,775 |
| Non Equity | | <u>799</u> | <u>799</u> |
| | | <u>16,742,602</u> | <u>17,909,574</u> |

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

F A Kee



Director

The accounting policies and notes on pages 7 to 11 form part of these financial statements.

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

| | 1997 £ | 1996 £ |
|--|--------------------|-------------------|
| Loss for the financial year | (1,166,972) | (392,484) |
| | <u>(1,166,972)</u> | <u>(392,484)</u> |
| New share capital subscribed (net of issue costs) | - | 18,300,000 |
| Net (reduction)/addition to shareholders' funds | <u>(1,166,972)</u> | <u>17,907,516</u> |
| Opening shareholders' funds | 17,909,574 | 2,058 |
| Closing shareholders' funds | <u>16,742,602</u> | <u>17,909,574</u> |

BUPA CONSTRUCTION SERVICES 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 BUPA 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 for goods supplied and services rendered after deducting trade discounts and value added tax, where applicable. All turnover arises within the United Kingdom.

(d) Investments

Investments in subsidiary undertakings are carried at cost less provisions for permanent diminution.

(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) 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.

(g) Operating leases

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

BUPA CONSTRUCTION SERVICES LIMITED

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

2. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of BUPA Investments 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 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. LOSSES IN PARTICIPATING INTEREST | 1997 £ | 1996 £ |
|---|---------------|---------------|
| Share of loss in The Hospital Procurement Partnership | <u>97,859</u> | <u>62,836</u> |

| 5. INTEREST PAYABLE AND SIMILAR CHARGES | 1997 £ | 1996 £ |
|--|----------------|----------------|
| Amounts owed to Group undertakings | <u>807,611</u> | <u>471,803</u> |

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 1997 £ | 1996 £ |
|---|-----------|------------------|
| <i>Loss on ordinary activities is stated after charging/(crediting) :</i> | | |
| Hire of other assets - rentals payable under operating leases | 12,578 | 98,063 |
| Auditors' remuneration: | | |
| Audit | 2,600 | 1,188 |
| Rentals receivable under operating leases | <u>-</u> | <u>(106,327)</u> |

BUPA CONSTRUCTION SERVICES LIMITED

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

7. TAX ON LOSS ON ORDINARY ACTIVITIES

| | | |
|--|------|------|
| | 1997 | 1996 |
| | £ | £ |

The taxation credit is based on the result for the year :

| | | |
|--|----------------|--------------|
| UK corporation tax at 31.5% (1996 : 33%) | 273,398 | 5,247 |
| Taxation (over)/under provided in previous years : | | |
| Corporation tax | <u>337</u> | <u>-</u> |
| | <u>273,735</u> | <u>5,247</u> |

8. INVESTMENTS

| | | |
|--|------|------|
| | 1997 | 1996 |
| | £ | £ |

| | | |
|-----------------------------------|------------------|------------------|
| Shares in group undertakings | 9,400,001 | 9,400,001 |
| Provision for diminution in value | (560,200) | - |
| | <u>8,839,801</u> | <u>9,400,001</u> |

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.

| | Class of share | Nominal value £ |
|----------------------------------|----------------|--------------------|
| BUPA Properties (1994) Limited | Ordinary | 9,999,999 |
| Dolphyn Court Properties Limited | Ordinary | <u>100</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.

9. STOCKS

| | | |
|--|------|------|
| | 1997 | 1996 |
| | £ | £ |

| | | |
|--------------------------------|----------------|----------|
| Building construction services | <u>451,039</u> | <u>-</u> |
|--------------------------------|----------------|----------|

BUPA CONSTRUCTION SERVICES LIMITED

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

| 10. DEBTORS | 1997 £ | 1996 £ |
|--|--------------------|-------------------|
| Amounts falling due within one year: | | |
| Amounts owed by Group undertakings | 16,603,516 | 18,519,479 |
| Other debtors | <u>173,455</u> | <u>356</u> |
| | <u>16,776,971</u> | <u>18,519,835</u> |
| Amounts falling due after more than one year: | | |
| Prepayments and accrued income | <u>100,548,961</u> | <u>-</u> |
| Prepayments and accrued income represent payments to group undertakings for future services. | | |
| 11. CREDITORS - amounts falling due within one year : | 1997 £ | 1996 £ |
| Payments received on account | 98,965,749 | - |
| Trade creditors | 2,692 | - |
| Amounts owed to group undertakings | 9,647,719 | 10,021,663 |
| Taxation and social security | 241 | 241 |
| Other creditors | 50,475 | 17,379 |
| Accruals and deferred income | <u>1,252,895</u> | <u>-</u> |
| | <u>109,919,771</u> | <u>10,039,283</u> |
| 12. SHARE CAPITAL | 1997 £ | 1996 £ |
| Authorised | | |
| 799 10% cumulative preference shares of £1 each | 799 | 799 |
| 751 'A' ordinary shares of £1 each | 751 | 751 |
| 18,300,100 ordinary shares of £1 each | <u>18,300,100</u> | <u>18,300,100</u> |
| | <u>18,301,650</u> | <u>18,301,650</u> |
| Allotted, called-up and fully paid | | |
| 799 10% cumulative preference shares of £1 each | 799 | 799 |
| 751 'A' ordinary shares of £1 each | 751 | 751 |
| 18,300,100 ordinary shares of £1 each | <u>18,300,100</u> | <u>18,300,100</u> |
| | <u>18,301,650</u> | <u>18,301,650</u> |

BUPA CONSTRUCTION SERVICES LIMITED

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

13. RESERVES

| | Profit and loss account £ |
|---------------------|------------------------------------|
| At 1 January 1997 | (392,076) |
| Retained loss | (1,166,972) |
| | <hr/> |
| At 31 December 1997 | <u>(1,559,048)</u> |

14. 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.

Under a group registration the Company is jointly and severally liable for value added tax due by certain other group companies.