

BUPA Construction Services Limited

(Registered No. 2966483)

Directors' Report and Financial Statements

For the Year Ended 31 December 2006



BUPA Construction Services Limited

Report of the directors for the year ended 31 December 2006

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

1. Business review and principal activity

The principal activities of the company are the provision of development and construction services

The results for the year of the company show a pre-tax loss of £1,049,661 (2005 £780,903) and sales of £7,395,104 (2005 £7,435,735)

The company has net assets of £10,419,927 (2005 £11,486,173)

No dividend is proposed for 2006 (2005 - £ nil)

2. Future outlook

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. Principal risks and uncertainties

The company is managed on a group basis and the principal risks and uncertainties facing it are therefore integrated with those facing the Group as a whole. Accordingly, those risks are not discussed here but are detailed on pages 30 to 33 of the Group's annual report and accounts, which does not form a part of this report

4. Directors and directors' interests

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

N T Beazley
J P Davies
F D Gregory
B D J Kent
R King

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

5. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report, indemnities are in force under which the company has agreed to indemnify certain directors, to the extent permitted by law and the company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the company

BUPA Construction Services Limited

Report of the directors for the year ended 31 December 2006 - continued

6. 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

7. International Financial Reporting Standards

The ultimate parent undertaking has prepared Group accounts in accordance with International Financial Reporting Standards (IFRS). The company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards

8. Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Registered Office

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

8 March 2007

By Order of the Board



For and on behalf of BUPA Secretaries Limited
Secretary

BUPA Construction Services Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BUPA Construction Services Limited

Independent auditors' report to the members of BUPA Construction Services Limited

We have audited the financial statements of BUPA Construction Services Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BUPA Construction Services Limited

Independent auditors' report to the members of BUPA Construction Services Limited - continued

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc

Chartered Accountants

Registered Auditor

8 March 2007

8 Salisbury Square
London EC4Y 8BB

BUPA Construction Services Limited

Profit and loss account for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Turnover		7,395,104	7,435,735
Operating expenses		(7,991,470)	(7,648,729)
Operating loss		(596,366)	(212,994)
Interest receivable and similar income	4	43,095	44,828
Interest payable and similar charges	5	(496,390)	(612,737)
Loss on ordinary activities before taxation	6	(1,049,661)	(780,903)
Tax on loss on ordinary activities	8	(16,585)	(139,045)
Retained loss for the financial year		(1,066,246)	(919,948)

The operating loss 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

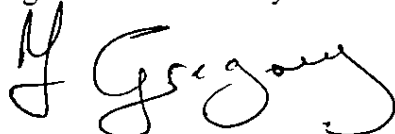
The accounting policies and notes on pages 9 to 18 form part of these financial statements

BUPA Construction Services Limited

Balance sheet as at 31 December 2006

	<i>Note</i>	2006 £	2005 £
Fixed assets			
Tangible assets	9	5,866,677	7,114,060
Investments	10	<u>11,289,801</u>	<u>11,289,801</u>
		17,156,478	18,403,861
Current assets			
Debtors amounts falling due within one year	11	2,863,465	2,794,763
Cash at bank and in hand		<u>2,079,655</u>	<u>1,428,138</u>
		4,943,120	4,222,901
Creditors: amounts falling due within one year	12	<u>(10,540,065)</u>	<u>(10,043,175)</u>
Net current liabilities		<u>(5,596,945)</u>	<u>(5,820,274)</u>
Total assets less current liabilities		11,559,533	12,583,587
Provisions for liabilities and charges	13	<u>(1,139,606)</u>	<u>(1,097,414)</u>
Net assets		<u>10,419,927</u>	<u>11,486,173</u>
Capital and reserves			
Called up share capital	15	18,300,851	18,300,851
Profit and loss account	16	<u>(7,880,924)</u>	<u>(6,814,678)</u>
Equity shareholders' funds		<u>10,419,927</u>	<u>11,486,173</u>

These financial statements were approved by the Board of Directors on 8 March 2007 and were signed on its behalf by



F D Gregory
Director

The accounting policies and notes on pages 9 to 18 form part of these financial statements

BUPA Construction Services Limited**Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006**

	2006 £	2005 £
Retained loss for the financial year	(1,066,246)	(919,948)
Net reduction to shareholders' funds	<u>(1,066,246)</u>	<u>(919,948)</u>
Effect of adoption of FRS 25 on 1 January 2005	-	(799)
Opening shareholders' funds	11,486,173	12,406,920
Closing shareholders' funds	<u>10,419,927</u>	<u>11,486,173</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

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 and on a going concern basis

As the company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (BUPA), a company registered in England and Wales, which publishes consolidated accounts, the company has pursuant to paragraph 17 of Financial Reporting Standard No 8 Related Party Disclosure (FRS 8) not included details of transactions with other BUPA group companies which are subsidiary undertakings of the BUPA group. There were no other related party transactions.

Cash flow statement

Under Financial Reporting Standard No 1 Cash flow statements (revised 1996) (FRS 1) the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking of The British United Provident Association Limited, a company that prepares a consolidated cash flow statement for the BUPA Group.

Accounting conventions

All accounting policies have been applied consistently during the year.

Taxation including deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred tax.

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on current tax rates and laws.

Trading losses surrendered to other Group subsidiary undertakings are made on a full payment basis.

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.

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

1. Accounting policies - continued

Fixed assets and depreciation

Leasehold properties are stated at cost. No depreciation is provided on properties under construction. Tangible assets are depreciated so as to write off the cost by equal instalments over their estimated economic lives, as follows:

Leasehold land and buildings	- term of the lease
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Investments

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

Operating leases

Assets leased to third parties under operating leases are included in tangible fixed assets and are stated at historical cost. Revenue is recognised on an accruals basis.

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

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) They include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) Where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy. The finance cost on the financial liability is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

2. Immediate and ultimate parent undertakings

The immediate parent undertaking of BUPA Construction Services Limited is BUPA Investments Limited, a company registered in England and Wales

The ultimate parent undertaking of BUPA Construction Services Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. The only group preparing consolidated group accounts which include BUPA Construction Services Limited is BUPA. Copies of the accounts of BUPA can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

3. Staff costs and directors' remuneration

The company had no employees during the year (2005: nil) and consequently incurred no staff costs. No remuneration was paid to any of the directors for the year (2005: £ nil).

4. Interest receivable and similar income

	2006	2005
	£	£
Receivable from Group undertakings	<u>43,095</u>	<u>44,828</u>

5. Interest payable and similar charges

	2006	2005
	£	£
Payable to Group undertakings	<u>496,390</u>	<u>612,737</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

6. Loss on ordinary activities before taxation

	2006	2005
	£	£
<i>Loss on ordinary activities is stated after charging/(crediting) :</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	1,247,383	864,148
Hire of other assets - rentals payable under operating leases	6,743,588	6,780,642
Rentals receivable under operating leases	(7,395,104)	(7,435,735)
	<u> </u>	<u> </u>

7. Auditors' remuneration

	2006	2005
	£	(restated) £
Fees for the audit of the company	<u>995</u>	<u>892</u>

Fees for the audit of the company represent the amount receivable by the company's auditors. The amount may not be borne by the company. The 2005 disclosure has been restated using a consistent basis.

Fees paid to the company's auditors, KPMG Audit Plc, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BUPA, the ultimate parent undertaking, are required to disclose non-audit fees on a consolidated basis.

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

8. Tax on loss on ordinary activities

	2006		2005	
	£	£	£	£
(i) Analysis of tax charge/(credit) in year				
Current tax				
UK corporation tax on loss for the year	<u>(25,607)</u>		<u>(169,986)</u>	
Total current tax		(25,607)		(169,986)
Deferred taxation				
Origination and reversal of timing differences	42,192		165,770	
Adjustments in respect of prior periods	<u>-</u>		<u>143,261</u>	
Total deferred tax		42,192		309,031
Tax on loss on ordinary activities		<u>16,585</u>		<u>139,045</u>

(ii) Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006	2005
	£	£
Loss on ordinary activities before taxation	<u>(1,049,661)</u>	<u>(780,903)</u>
Tax credit on loss on ordinary activities at 30%	(314,898)	(234,271)
Effects of		
Capitalised revenue	(2,663)	-
Expenses not deductible for tax purposes	334,146	219,176
Property loss brought forward written off	-	10,879
Capital allowances in excess of depreciation	(42,192)	(165,770)
Total current tax credit for the year	<u>(25,607)</u>	<u>(169,986)</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

9. Tangible assets

	Short leasehold improvements
Cost	£
At 1 January and 31 December 2006	<u>12,178,241</u>
Depreciation	
At 1 January 2006	5,064,181
Charge for the year	<u>1,247,383</u>
At 31 December 2006	<u>6,311,564</u>
Net Book Value	
At 31 December 2006	<u>5,866,677</u>
At 31 December 2005	<u>7,114,060</u>
Depreciable amount at 31 December 2006	<u>12,178,241</u>
Depreciable amount at 31 December 2005	<u>12,178,241</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

10. Investments

	2006	2005
	£	£
Shares in Group undertakings	11,850,001	11,850,001
Provision for diminution in value	(560,200)	(560,200)
	<u>11,289,801</u>	<u>11,289,801</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	10,000,000
Dolphyn Court Properties Limited	Ordinary	2,450,100

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

11. Debtors

	2006	2005
	£	£
Amounts falling due within one year:		
Amounts owed by Group undertakings	2,863,365	2,794,663
Other debtors	<u>100</u>	<u>100</u>
	<u>2,863,465</u>	<u>2,794,763</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

12. Creditors - amounts falling due within one year :

	2006	2005
	£	£
Shares classified as liabilities	799	799
Amounts owed to Group undertakings	10,538,686	10,039,246
Accruals and deferred income	580	3,130
	<u>10,540,065</u>	<u>10,043,175</u>

13. Provisions for liabilities and charges

	Deferred taxation £
At 1 January 2006	1,097,414
Provided in year	<u>42,192</u>
At 31 December 2006	<u>1,139,606</u>

14. Deferred taxation

Deferred tax assets and liabilities are analysed as follows

	Provided 2006 £	2005 £
Accelerated capital allowances	<u>1,139,606</u>	<u>1,097,414</u>

The movement for the year in the net deferred tax provision is as follows

	£
At 1 January 2006	1,097,414
Deferred tax charge for the year	<u>42,192</u>
At 31 December 2006	<u>1,139,606</u>

The net deferred tax provision is included within provisions for liabilities and charges (see note 13)

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

15. Share capital

	2006 £	2005 £
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>
 Shares classified as liabilities	799	799
Shares classified in shareholders' funds	<u>18,300,851</u>	<u>18,300,851</u>
	<u>18,301,650</u>	<u>18,301,650</u>

16. Reserves

	Profit and loss account £
At 1 January 2006	(6,814,678)
Retained loss	(1,066,246)
 At 31 December 2006	<u>(7,880,924)</u>

BUPA Construction Services Limited

Notes to the Financial Statements for the year ended 31 December 2006

17. Commitments

Operating leases

At 31 December 2006 the company had annual commitments under non-cancellable operating leases which expire as set out below

	Land and buildings	
	2006	2005 (restated)
	£	£
Within one year	3,297,599	-
2- 5 years	-	6,613,267
Over 5 years	<u>166,917</u>	<u>166,917</u>
	<u>3,464,516</u>	<u>6,780,184</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 and loans of certain other Group undertakings