

GOLDSBOROUGH EAST SURREY LIMITED

(Registered No. 3014160)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998



GOLDSBOROUGH EAST SURREY 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 loss for the year, after taxation, amounted to £1,057,600 (1997 - £2,464,216).

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 Goldsbrough Healthcare PLC) which are set out in the financial statements of that company.

GOLDSBOROUGH EAST SURREY 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

GOLDSBOROUGH EAST SURREY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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.

GOLDSBOROUGH EAST SURREY LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF GOLDSBOROUGH EAST SURREY 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

London

11 March 1999

KPMG Audit Plc
Chartered Accountants
Registered Auditor

GOLDSBOROUGH EAST SURREY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

	<i>Note</i>	1998 £	15 months to 31 December 1997 £
Turnover		2,217,241	704,648
Operating expenses		(3,190,433)	(1,184,174)
Exceptional items	4	<u>-</u>	<u>(2,117,891)</u>
Total operating expenses		<u>(3,190,433)</u>	<u>(3,302,065)</u>
Operating loss		(973,192)	(2,597,417)
Interest payable and similar charges	5	<u>(34,452)</u>	<u>(18,154)</u>
Loss on ordinary activities before taxation	6	(1,007,644)	(2,615,571)
Tax on loss on ordinary activities	7	(49,956)	151,355
Retained loss for the financial year/period		<u>(1,057,600)</u>	<u>(2,464,216)</u>

The operating loss is all derived from continuing operations.

There were no recognised gains and losses other than the loss for the financial year/period.

GOLDSBOROUGH EAST SURREY LIMITED

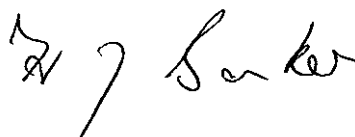
BALANCE SHEET

as at 31 December 1998

	<i>Note</i>	1998 £	1997 £
Fixed assets			
Tangible assets	8	3,742,124	4,000,000
Current assets			
Stocks		116,411	181,414
Debtors	9	809,576	681,410
Cash at bank and in hand		369	103,949
		<u>926,356</u>	<u>966,773</u>
Creditors: amounts falling due within one year	10	<u>(7,655,364)</u>	<u>(584,206)</u>
Net current assets		(6,729,008)	382,567
Total assets less current liabilities		<u>(2,986,884)</u>	<u>4,382,567</u>
Creditors: amounts falling due after more than one year	11	(291,491)	(6,649,100)
Provisions for liabilities and charges	13	(243,440)	(197,682)
		<u>(3,521,815)</u>	<u>(2,464,215)</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account	15	(3,521,816)	(2,464,216)
Equity shareholders' funds		<u>(3,521,815)</u>	<u>(2,464,215)</u>

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 9 to 16 form part of these financial statements.

GOLDSBOROUGH EAST SURREY LIMITED
NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 31 December 1998

	1998	15 months to 31 December 1997
	£	£
Reported loss on ordinary activities before taxation	(1,007,644)	(2,615,571)
Difference between a historical cost depreciation charge and the actual depreciation charge on the revalued amount	(35,137)	(35,916)
Historical cost profit on ordinary activities before taxation	<u>(1,042,781)</u>	<u>(2,651,487)</u>
Historical cost loss on ordinary activities after taxation and dividends	<u>(1,092,737)</u>	<u>(2,500,132)</u>

GOLDSBOROUGH EAST SURREY LIMITED
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 31 December 1998

	1998 £	15 months to 31 December 1997 £
Loss for the financial year/period	(1,057,600)	(2,464,216)
Net reduction to shareholders' funds	(1,057,600)	(2,464,216)
Opening shareholders' funds	(2,464,215)	1
Closing shareholders' funds	<u>(3,521,815)</u>	<u>(2,464,215)</u>

GOLDSBOROUGH EAST SURREY 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 buildings and on a going concern basis, in view of a letter of support from BUPA Investments Limited, which undertakes to provide or procure such support as is necessary to enable the company to meet its liabilities as they fall due.

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, all of which arises in the UK, is derived from the provision of services to patients during the year after deducting trade discounts and value added tax.

(d) Fixed assets and depreciation

Leasehold properties including hospital properties are stated at current value; other tangible assets are stated at cost. Tangible assets are depreciated so as to write off the cost or valuation by equal instalments over their estimated economic lives, as follows:

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.

GOLDSBOROUGH EAST SURREY 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.

2 ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Goldsbrough 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 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	33	31
Other	16	17
	<u>49</u>	<u>48</u>
	1998	15 months to 31 December 1997
The aggregate payroll costs of these persons were as follows:	£	£
Wages and salaries	984,252	398,101
Social security costs	68,127	31,533
	<u>1,052,379</u>	<u>429,634</u>

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

GOLDSBOROUGH EAST SURREY LIMITED

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

4 EXCEPTIONAL ITEMS

	1998	15 months to 31 December 1997
	£	£
Pre-opening expenditure written off	-	361,031
Permanent diminution in value of land and buildings	-	1,756,860
	<u>-</u>	<u>2,117,891</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1998	15 months to 31 December 1997
	£	£
Finance charges payable in respect of finance leases	<u>34,452</u>	<u>18,154</u>

6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998	15 months to 31 December 1997
	£	£
<i>Loss on ordinary activities is stated after charging :</i>		
Depreciation and other amounts written off tangible fixed assets :		
Owned	259,861	111,637
Leased	92,471	39,575
Finance charges payable – finance leases and hire purchase	34,452	18,154
Hire of plant and machinery - rentals payable	-	3,332
Hire of other assets - rentals payable under operating leases	331,606	70,497
	<u></u>	<u></u>

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

GOLDSBOROUGH EAST SURREY LIMITED

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

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	1998	15 months to 31 December 1997
	£	£
The taxation credit/(charge) is based on the result for the period:		
UK corporation tax at 31% (1997 : 31.5%)	344,839	349,037
Deferred taxation	(52,137)	(197,682)
Taxation (under)/over provided in previous years :		
Corporation tax	(349,037)	-
Deferred taxation	6,379	-
	<u>(49,956)</u>	<u>151,355</u>

The level of the prior year taxation charge reflects the fact that the majority of the exceptional costs were not allowable for taxation purposes.

GOLDSBOROUGH EAST SURREY LIMITED

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

8 TANGIBLE FIXED ASSETS

	Short leasehold property £	Fixtures, fittings & equipment £	Total £
Cost or valuation			
At 1 January 1998	2,754,067	1,397,143	4,151,210
Additions	71,828	22,628	94,456
	<hr/>	<hr/>	<hr/>
At 31 December 1998	2,825,895	1,419,771	4,245,666
Depreciation			
At 1 January 1998	38,282	112,928	151,210
Charge for the period	92,471	259,861	352,332
	<hr/>	<hr/>	<hr/>
At 31 December 1998	130,753	372,789	503,542
Net Book Value			
At 31 December 1998	2,695,142	1,046,982	3,742,124
At 31 December 1997	2,715,785	1,284,215	4,000,000
	<hr/>	<hr/>	<hr/>
Depreciable amount at 31 December 1998	2,825,895	1,419,771	4,245,666
	<hr/>	<hr/>	<hr/>
Depreciable amount at 31 December 1997	2,754,067	1,397,143	4,151,210
	<hr/>	<hr/>	<hr/>

Particulars relating to revalued assets are given below :

	1998 £	1997 £
Land and buildings		
At 1998 open market value	71,828	-
At 1997 open market value	2,754,067	2,754,067
At cost	-	-
Aggregate depreciation thereon	(130,753)	(38,282)
	<hr/>	<hr/>
	2,695,142	2,715,785
	<hr/>	<hr/>

GOLDSBOROUGH EAST SURREY LIMITED

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

8 TANGIBLE FIXED ASSETS - continued

	1998 £	1997 £
Historical cost of revalued assets	4,582,755	4,510,927
Aggregate depreciation based on historical cost	(201,806)	(74,198)
Historical cost net book value	<u>4,380,949</u>	<u>4,436,729</u>

Included in the total net book value of fixtures and fittings is £415,162 (1997 : £530,654) in respect of assets held under finance leases. Depreciation for the period on these assets was £75,927 (1997 : £39,565).

9 DEBTORS

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	356,694	204,881
Amounts owed by group undertakings	349,037	349,037
Prepayments and accrued income	103,845	127,492
	<u>809,576</u>	<u>681,410</u>

10 CREDITORS - amounts falling due within one year :

	1998 £	1997 £
Bank overdraft	95,868	-
Trade creditors	52,717	156,565
Amounts owed to Group undertakings	6,861,697	-
Obligations under finance leases	101,980	93,629
Accruals and deferred income	543,102	334,012
	<u>7,655,364</u>	<u>584,206</u>

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

	1998 £	1997 £
Obligations under finance leases	291,491	393,471
Amounts owed to Group undertakings	-	6,255,629
	<u>291,491</u>	<u>6,649,100</u>

GOLDSBOROUGH EAST SURREY 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	128,080	128,080
Between two and five years	346,298	448,279
	<u>474,378</u>	<u>576,359</u>
Less : finance charges allocated to future periods	<u>(54,807)</u>	<u>(89,259)</u>
	<u>419,571</u>	<u>487,100</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1998	197,682
Charge for the year	45,758
	<u>243,440</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>243,440</u>	<u>197,682</u>	<u>-</u>	<u>-</u>

14 SHARE CAPITAL

	1998 £	1997 £
Authorised		
1000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called-up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

GOLDSBOROUGH EAST SURREY LIMITED

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

15 RESERVES

	Profit and loss account £
At 1 January 1998	(2,464,216)
Retained loss	(1,057,600)
	<hr/>
At 31 December 1998	<u>(3,521,816)</u>

16 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		-	-	141,000
Over five years	300,000	300,000	222,118	-
	<u>300,000</u>	<u>300,000</u>	<u>222,118</u>	<u>141,000</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 of certain other Group undertakings.