

**BUPA Redwood Hospital Limited**

**(Registered No. 3014160)**

**Directors' Report and Financial Statements**

**For the Year Ended 31 December 2006**



# **BUPA Redwood Hospital 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 activity of the company is the operation of the Redwood Independent Sector Treatment Centre (ISTC), a joint venture between Surrey and Sussex NHS Trust and BUPA Hospitals

The results for the year of the company show a pre-tax profit of £1,998,912 (2005 £1,000,868) and sales of £11,081,049 (2005 £10,918,998)

The company has net assets of £5,335,879 (2005 £3,679,544)

No dividend is proposed for 2006 (2005 £ nil)

The directors consider the joint venture with the NHS to be integral to the success of this company and were extremely satisfied that the centre won praise from the House of Commons Health Select Committee for "fostering a spirit of co-operation" between the NHS and the private sector. During the year the centre treated more than 12,000 people, providing orthopaedics, gynaecology, general surgery and diagnostic endoscopies, and achieved very high levels of customer satisfaction.

### **2. Future outlook**

The external commercial environment is expected to remain competitive in 2007, however, the directors remain confident that the current level of performance will be maintained.

### **3. Principal risks and uncertainties**

Both the company's management and its strategy are subject to a number of risks and uncertainties. Management consider that the key risks and uncertainties arise as a result of the negotiating of the renewal of the Redwood ISTC contract which ends in December 2007, employee retention and product innovation.

### **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  
C M Hollingsworth  
B D J Kent  
R King

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

## **BUPA Redwood Hospital Limited**

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

#### **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

#### **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

13 March 2007

By Order of the Board



For and on behalf of BUPA Secretaries Limited  
Secretary

## **BUPA Redwood Hospital 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## **BUPA Redwood Hospital Limited**

### **Independent auditors' report to the members of BUPA Redwood Hospital Limited**

We have audited the financial statements of BUPA Redwood Hospital 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.

### **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.

## **BUPA Redwood Hospital Limited**

### **Independent auditors' report to the members of BUPA Redwood Hospital Limited - continued**

#### **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 profit 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*  
13 March 2007

8 Salisbury Square  
London EC4Y 8BB

# **BUPA Redwood Hospital Limited**

## **Profit and Loss Account for the year ended 31 December 2006**

	<i>Note</i>	2006 £	2005 £
<b>Turnover</b>		11,081,049	10,918,998
Operating expenses		(8,821,978)	(9,551,849)
<b>Operating profit</b>		<u>2,259,071</u>	<u>1,367,149</u>
Interest receivable and similar income	4	133,365	-
Interest payable and similar charges	5	<u>(393,524)</u>	<u>(366,281)</u>
<b>Profit on ordinary activities before taxation</b>	6	1,998,912	1,000,868
Tax (charge)/credit on profit on ordinary activities	8	(342,577)	12,687
<b>Retained profit for the financial year</b>		<u>1,656,335</u>	<u>1,013,555</u>

The operating profit is all derived from continuing operations

There were no recognised gains and losses other than the profit for the financial year

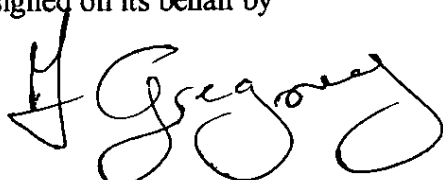
The accounting policies and notes on pages 9 to 21 form part of these financial statements

# BUPA Redwood Hospital Limited

## Balance Sheet as at 31 December 2006

	<i>Note</i>	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	9	4,726,327	3,965,011
<b>Current assets</b>			
Stocks		389,887	347,130
Debtors	10	3,010,822	11,046,180
Cash at bank and in hand		8,505,820	7,265
		11,906,529	11,400,575
<b>Creditors</b> , amounts falling due within one year	11	(10,833,378)	(11,315,652)
<b>Net current assets</b>		1,073,151	84,923
<b>Total assets less current liabilities</b>		5,799,478	4,049,934
<b>Provisions for liabilities and charges</b>	12	(463,599)	(370,390)
<b>Net assets</b>		5,335,879	3,679,544
<b>Capital and reserves</b>			
Called up share capital	14	9,000,001	9,000,001
Profit and loss account	15	(3,664,122)	(5,320,457)
<b>Equity shareholders' funds</b>		5,335,879	3,679,544

These financial statements were approved by the Board of Directors on 13 March 2007 and were signed on its behalf by



F D Gregory  
Director

The accounting policies and notes on pages 9 to 21 form part of these financial statements



**BUPA Redwood Hospital Limited****Note of historical cost profits and losses  
for the year ended 31 December 2006**

	2006 £	2005 £
<b>Reported profit on ordinary activities before taxation</b>	1,998,912	1,000 868
Difference between the historical cost depreciation charge and the actual depreciation charge on the revalued amount	(75,918)	(75 918)
<b>Historical cost profit on ordinary activities before taxation</b>	<u>1,922,994</u>	<u>924 950</u>
<b>Historical cost profit on ordinary activities after taxation and dividends</b>	<u>1,580,417</u>	<u>937,637</u>

**Reconciliation of movements in shareholders' funds  
for the year ended 31 December 2006**

	2006 £	2005 £
<b>Retained profit for the financial year</b>	1,656,335	1,013,555
<b>Net addition to shareholders' funds</b>	<u>1,656,335</u>	<u>1,013,555</u>
Opening shareholders' funds	3,679,544	2,665,989
<b>Closing shareholders' funds</b>	<u>5,335,879</u>	<u>3,679,544</u>

# **BUPA Redwood Hospital 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, under the historical cost accounting convention, modified to include the revaluation of land and buildings and on a going concern basis

All accounting policies have been applied consistently during the year

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

#### **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.

#### **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.

The difference between the estimated replacement cost of stock and the purchase price or production cost is not material.

**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 valuation. The valuation takes into account the future trading potential of the properties on an existing use basis. Unrealised revaluation gains are taken to the revaluation reserve unless they reverse revaluation losses previously taken to the profit and loss account. Unrealised revaluation losses are taken to the revaluation reserve until the carrying value is reduced to the original cost of the asset, at which point any further losses are taken to the profit and loss account.

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

The estimated economic lives of the leasehold properties are reviewed annually and revised as appropriate, taking into consideration the levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals.

## **BUPA Redwood Hospital Limited**

### **Notes to the financial statements for the year ended 31 December 2006**

#### **1 Accounting policies - continued**

##### **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 exceptions

- ♦ Provision is made for tax on gains arising from the revaluation of property to its fixed value, the fair value adjustment of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned and without it being possible to claim rollover relief. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- ♦ 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

##### **Pensions**

##### **Defined contribution pension scheme**

The ultimate holding company, The British United Provident Association Limited, operates a defined contribution pension scheme, The BUPA Retirement Savings Plan in which the company participates. The assets of the scheme are held separately from those of the company in independently administered funds

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred

**Notes to the financial statements  
for the year ended 31 December 2006**

**1 Accounting policies - continued**

**Defined benefit pension scheme**

The ultimate holding company, The British United Provident Association Limited, operates a group defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company in independently administered funds.

The company participates in The BUPA Pension Scheme. As no agreement exists to allocate pension scheme assets and liabilities between group companies, Financial Reporting Standard No 17 Retirement Benefits permits those group companies to account for their pension costs as if the company participates in a defined contribution pension scheme. Therefore, the cost of the pension contributions made to the scheme are recognised within the profit and loss account.

**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. Immediate and ultimate parent undertakings**

The immediate parent undertaking of BUPA Redwood Hospital Limited is BHS (Holdings) Limited, a company registered in England and Wales. The results of BUPA Redwood Hospital Limited are included in the consolidated accounts of BHS (Holdings) Limited and copies of these accounts may be obtained from the Registrar of Companies, Cardiff, CF14 3UZ.

The ultimate parent undertaking of BUPA Redwood Hospital Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. The results of BUPA Redwood Hospital Limited are included in the consolidated accounts of BUPA and copies of these accounts can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

# **BUPA Redwood Hospital Limited**

## **Notes to the financial statements for the year ended 31 December 2006**

### **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	
	2006	2005
Medical	76	82
Other	31	28
	<u>107</u>	<u>110</u>

The aggregate payroll costs of these persons were as follows

	2006	2005
	£	£
Wages and salaries	1,954,339	2,251,909
Social security costs	172,152	151,351
Other pension costs (see note 16)	103,237	92,326
	<u>2,229,728</u>	<u>2,495,586</u>

No remuneration was paid to any of the directors for the year (2005 £ nil)

### **4. Interest receivable and similar income**

	2006	2005
	£	£
Amounts receivable from Group undertakings	<u>133,365</u>	<u>-</u>

### **5. Interest payable and similar charges**

	2006	2005
	£	£
Amounts payable to Group undertakings	<u>393,524</u>	<u>366,281</u>

# BUPA Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 6. Profit on ordinary activities before taxation

	2006 £	2005 £
<i>Profit on ordinary activities is stated after charging :</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	130,076	418,121
Leased - under finance leases	3,749	30,411
Hire of plant and machinery -		
rentals payable under operating leases	24,312	2,314
Hire of other assets - rentals payable under operating leases	300,000	300,000
Property revaluation - adjustment to carrying values	655,345	-
	<hr/>	<hr/>

### 7. Auditors' remuneration

	2006 £	2005 (restated) £
Fees for the audit of the company	<hr/> 7,964	<hr/> 7,143

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 Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 8. Tax on profit on ordinary activities

	2006 £	2005 £
<b>(i) Analysis of tax charge/(credit) in year</b>		
Current tax		
UK corporation tax on profit for the year	290,248	10,087
Adjustments in respect of prior periods	(40,880)	13,162
Total current tax	<u>249,368</u>	<u>23,249</u>
Deferred tax		
Origination and reversal of timing differences	84,085	(22,775)
Adjustments in respect of prior periods	9,124	(13,161)
Tax charge/(credit) on profit on ordinary activities	<u>342,577</u>	<u>(12,687)</u>

### (ii) Factors affecting the tax charge

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

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>1,998,912</u>	<u>1,000,868</u>
Tax charge on profit on ordinary activities at 30%	599,674	300,260
Effects of		
Deficit on revaluation	(196,603)	-
Expenses not deductible for tax purposes	13,218	28,498
Transfer pricing arrangement	(41,956)	-
Accelerated capital allowances	(84,085)	-
Depreciation in excess of capital allowances claimed	-	36,716
Deferred tax on short term and other timing differences	-	(13,941)
Adjustments to tax charge in respect of prior periods	(40,880)	13,162
Movements on deferred tax asset not recognised	-	(341,446)
Total current tax charge for year	<u>249,368</u>	<u>23,249</u>

### (iii) Factors that may affect future tax charges

As at 31 December 2006, the company had tax losses to carry forward of £nil (2005 - £nil) for which no deferred tax asset has been recognised

No provision has been made for deferred tax on gains or losses recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief.

The total amount unprovided is £nil (2005 - loss £863,949). At present, it is not envisaged that any tax will become payable in the foreseeable future.



# BUPA Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 9. Tangible assets

	Short leasehold property £	Fixtures, fittings & equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 2006	3,464,742	2,853,090	6,317,832
Additions	-	239,796	239,796
Revaluation	(84,565)	-	(84,565)
At 31 December 2006	<u>3,380,177</u>	<u>3,092,886</u>	<u>6,473,063</u>
<b>Depreciation</b>			
At 1 January 2006	661,361	1,691,460	2,352,821
Charge for the period	78,549	55,276	133,825
On revaluation	(739,910)	-	(739,910)
At 31 December 2006	<u>-</u>	<u>1,746,736</u>	<u>1,746,736</u>
<b>Net Book Value</b>			
At 31 December 2006	<u>3,380,177</u>	<u>1,346,150</u>	<u>4,726,327</u>
At 31 December 2005	<u>2,803,381</u>	<u>1,161,630</u>	<u>3,965,011</u>
<b>Depreciable amount at 31 December 2006</b>	<u>3,380,177</u>	<u>3,092,886</u>	<u>6,473,063</u>
Depreciable amount at 31 December 2005	<u>3,464,742</u>	<u>2,853,090</u>	<u>6,317,832</u>

Particulars relating to revalued assets are given below

	2006 £	2005 £
<b>Land and buildings</b>		
At 2006 existing use value	3,380,177	-
At 2003 existing use value	-	2,306,089
At cost	-	1,158,653
Aggregate depreciation thereon	<u>-</u>	<u>(661,361)</u>
	<u>3,380,177</u>	<u>2,803,381</u>

# BUPA Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 9. Tangible assets - continued

	2006 £	2005 £
Historical cost of revalued assets	5,740,522	5,740,522
Aggregate depreciation based on historical cost	(1,850,336)	(1,695,869)
Historical cost net book value	<u>3,890,186</u>	<u>4,044,653</u>

Included in the total net book value of fixtures and fittings is £35,693 (2005 £39,441) in respect of assets held under finance leases. Depreciation for the period on these assets was £3,749 (2005 £30,411).

The leasehold interests in the hospital property was valued as at 31 December 2006 by Knight Frank, Chartered Surveyors, as external valuers on the basis of Existing Use Value as fully operational concerns. The valuation was carried out in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The Directors have valued the property as at 31 December 2006 on the basis of this valuation.

### 10. Debtors

	2006 £	2005 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,751,032	4,585,480
Amounts owed by group undertakings	1,219,450	6,409,456
Prepayments and accrued income	40,262	12,108
Other debtors	78	39,136
	<u>3,010,822</u>	<u>11,046,180</u>

### 11. Creditors - amounts falling due within one year :

	2006 £	2005 £
Trade creditors	700,354	855,700
Amounts owed to Group undertakings	9,381,757	9,611,805
Other creditors	9,653	40,591
Accruals and deferred income	741,614	807,556
	<u>10,833,378</u>	<u>11,315,652</u>

# BUPA Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 12. Provisions for liabilities and charges

	Deferred taxation £
At 1 January 2006	370,390
Provided in the year	9,124
Released in year	<u>84,085</u>
At 31 December 2006	<u>463,599</u>

### 13. Deferred taxation

Deferred tax assets and liabilities are analysed as follows

	Provided	
	2006	2005
	£	£
Accelerated capital allowances	467,898	374,689
Other timing differences	<u>(4,299)</u>	<u>(4,299)</u>
	<u>463,599</u>	<u>370,390</u>

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

	2006 £
At 1 January 2006	370,390
Deferred tax charge for the year	<u>93,209</u>
At 31 December 2006	<u>463,599</u>

The net deferred tax provision is included within provisions for liabilities and charges (see note 12)

# BUPA Redwood Hospital Limited

## Notes to the financial statements for the year ended 31 December 2006

### 14. Share capital

	2006 £	2005 £
<b>Authorised</b>		
9,001,000 ordinary shares of £1 each	<u>9,001,000</u>	<u>9,001,000</u>
<b>Allotted, called-up and fully paid</b>		
9,000,001 ordinary shares of £1 each	<u>9,000,001</u>	<u>9,000,001</u>

### 15. Reserves

	Profit and loss account £
At 1 January 2006	(5,320,457)
Retained profit	<u>1,656,335</u>
At 31 December 2006	<u>(3,664,122)</u>

## **BUPA Redwood Hospital Limited**

### **Notes to the financial statements for the year ended 31 December 2006**

#### **16. Pensions**

The BUPA Group operates defined benefit and defined contribution pension schemes for the benefit of staff. The BUPA Pension Scheme, is a defined benefit pension scheme which provides benefits based on final pensionable salary, with charges made to the profit and loss account comprising the current service cost calculated on the projected unit method, interest cost on plan liabilities, less the expected return on plan assets and gains and losses on curtailments.

This scheme was closed to new entrants from 1 October 2002. Under this scheme, contributions by employees and the BUPA 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. Detailed triennial valuations and periodic interim reviews are undertaken by an independent actuary. The last detailed triennial valuation of The BUPA Pension Scheme was carried out as at 1 July 2005. The attained age method was used in the 2005 triennial valuation. On the basis of this valuation the independent actuary recommends the rate of contributions.

The BUPA Pension Scheme was valued as at 31 December 2006 under the requirements of International Accounting Standard No 19 Employee Benefits as the Group prepares its consolidated financial statements under International Financial Reporting Standards. This valuation showed a deficit before deferred tax of £68.9 million (2005 £138.5 million) with assets of £653.0 million (2005 £522.2 million) and liabilities of £721.9 million (2005 £660.7 million), which would not be materially different from a valuation performed under requirements of FRS 17. It is not possible to identify the company's share of this deficit on a consistent and reliable basis, therefore, as permitted by FRS 17, the pension contributions paid by the company relating to this scheme are charged to the profit and loss account.

Details of the latest valuations of the scheme and main assumptions are included in the annual report and accounts of the ultimate holding company, The British United Provident Association Limited (BUPA).

Employer contributions have been paid to The BUPA Pension Scheme at the rate of 25.64% of pensionable salary from 1 January 2006 until 31 March 2006 and at the rate of 26.34% from 1 April 2006 until 31 December 2006. The Group has a salary sacrifice arrangement, PeopleChoice Pensions, whereby the employer's contribution rate takes account of pension contributions paid as part of this arrangement. There is a corresponding reduction in wages and salaries as a result.

From 1 October 2002 new employees were eligible to join The BUPA Retirement Savings Plan, a defined contribution scheme. The pension cost to the company in respect of this scheme equals the employer's contributions payable in the period.

The total pension cost included in the profit and loss account amounted to £103,237 (2005 £92,326).

The full disclosure requirements under IAS 19 are disclosed in the Annual Report and Accounts of the British United Provident Association Limited.

## **BUPA Redwood Hospital 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 as set out below

	Land and buildings	
	2006	2005
		(restated)
	£	£
Operating leases which expire		
Over five years	300,000	300,000

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