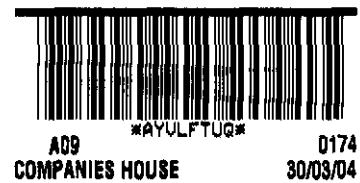


BUPA Childcare Limited

Registered No. 1653426

Directors' Report and Financial Statements

For the Year Ended 31 December 2003



BUPA Childcare Limited

Report of the Directors for the year ended 31 December 2003

The Directors present their annual report and the audited financial statements for the year ended 31 December 2003.

1. Principal activity

The principal activity of the Company until 1 January 2002 was the provision of child care in a day nursery. On that date, the Company sold the whole of its operations and assets to Teddies Nurseries Limited at book value and there has been no trading activity since.

2. Review of the business

There has been no trading activity in the year.

3. Results and dividends

The result for the year, after taxation, amounted to £nil (2002 loss - £985).
No dividend is proposed for 2003 (2002 - £ 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
M I Dugdale
D A Gray
R King
A D Walford

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

5. 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.

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

11 March 2004

By Order of the Board



J P Sanders
Secretary

Statement of Directors' responsibilities in respect 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 Childcare Limited

Report of the Independent Auditors to the members of BUPA Childcare Limited

We have audited the financial statements on pages 4 to 9.

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 are responsible for preparing the Directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the Directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

Basis of audit 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 affairs of the Company as at 31 December 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor

11 March 2004

London

BUPA Childcare Limited

Profit and Loss Account for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Tax on profit on ordinary activities	3	-	(985)
Retained loss for the financial year		<u>-</u>	<u>(985)</u>

There are no recognised gains or losses for the financial year (2002 loss - £985).

There were no material differences between reported losses and historical profit and losses on ordinary activities before and after taxation.

The accounting policies and notes on pages 7 to 9 form part of these Financial Statements.

BUPA Childcare Limited

Balance Sheet as at 31 December 2003

	Note	2003	2002
		£	£
Current assets			
Debtors : amounts falling due within one year	4	3,388,784	3,391,857
		<u>3,388,784</u>	<u>3,391,857</u>
Creditors : amounts falling due within one year	5	-	(3,073)
Net current assets		<u>3,388,784</u>	<u>3,388,784</u>
Total assets less current liabilities		<u>3,388,784</u>	<u>3,388,784</u>
Net assets		<u>3,388,784</u>	<u>3,388,784</u>
Capital and reserves			
Called up share capital	6	2,030,000	2,030,000
Share Premium Account	7	1,303,207	1,303,207
Profit and loss account	7	<u>55,577</u>	<u>55,577</u>
Equity shareholders' funds		<u>3,388,784</u>	<u>3,388,784</u>

These financial statements were approved by the Board of Directors on 11 March 2004 and were signed on its behalf by

D A Gray
Director



The accounting policies and notes on pages 7 to 9 form part of these Financial Statements.

BUPA Childcare Limited**Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003**

	2003	2002
	£	£
Retained loss for the financial year	<u>-</u>	<u>(985)</u>
Net reduction in shareholders' funds	-	(985)
Opening shareholders' funds	3,388,784	3,389,769
Closing shareholders' funds	<u>3,388,784</u>	<u>3,388,784</u>

BUPA Childcare Limited

Notes to the Financial Statements for the year ended 31 December 2003

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention and on a going concern basis.

As the Company is a wholly owned subsidiary undertaking of The British United Provident Association Limited (BUPA), it has taken advantage of the exemption contained in FRS 8 "Related Party Disclosure" and has therefore not disclosed separately transactions or balances with entities which form part of the BUPA group of companies.

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.

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:

- 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.

BUPA Childcare Limited

Notes to the Financial Statements for the year ended 31 December 2003

2. Ultimate holding company

The Company is a wholly owned subsidiary undertaking of BUPA Childcare Provision 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, CF14 3UZ.

3. Tax on profit on ordinary activities

	2003	2002
(i) Analysis of charge		
	£	£
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	985
	<u>-</u>	<u>985</u>

(ii) Factors affecting the tax charge

The tax assessed for the period is equal to the standard rate of corporation tax in the UK of 30%. The differences are explained below:

Profit on ordinary activities before tax	<u>-</u>	<u>-</u>
Tax charge on profit on ordinary activities at 30%	-	-
Effects of :		
Expenses not deductible for tax purposes	-	985
Deferred tax on short term and other timing differences	-	(985)
Total current tax charge for period	<u>-</u>	<u>-</u>

BUPA Childcare Limited

Notes to the Financial Statements for the year ended 31 December 2003

4. Debtors	2003 £	2002 £
Amounts falling due within one year :		
Amounts owed by Group undertakings	3,388,784	3,391,857
	<u>3,388,784</u>	<u>3,391,857</u>
5. Creditors	2003 £	2002 £
Amounts falling due within one year :		
Accruals and deferred income	-	3,073
	<u>-</u>	<u>3,073</u>
6. Share Capital	2003 £	2002 £
Authorised		
2,500,000 ordinary shares of £1 each	<u>2,500,000</u>	<u>2,500,000</u>
Allotted, called-up and fully paid		
2,030,000 ordinary shares of £1 each	<u>2,030,000</u>	<u>2,030,000</u>
7. Reserves	Share Premium £	Profit and loss account £
At 1 January 2003 and 31 December 2003	<u>1,303,207</u>	<u>55,577</u>