

**BUPA TREASURY LIMITED**

**(Registered No. 1419145)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**



**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2007**

The directors present their directors' report and the audited financial statements for the year ended 31 December 2007

**1. Business review**

The principal activity for the company for the year was that of an investment holding company. The results for the company show a profit of £8.5m (2006: £2.9m) for the year and turnover of £25.0m (2006: £30.4m). The company has net assets of £88.5m (2006: £66.4m).

During the year the company continued to trade as an investment company. The external commercial environment is expected to remain competitive in 2008. The company's management and its strategy are subject to a number of uncertainties and risks. These risks and uncertainties include interest rate and/or foreign exchange rate fluctuations driven by the external investment market and the uncertainty of timing of cash generation within the other Group companies. Management believes that these risks and uncertainties are managed effectively and are reviewed on a regular basis in line with Group policies.

**2. Conversion to IFRS**

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.

**3. Results and dividends**

The profit for the year, after taxation, amounted to £8,459,724 (2006: £2,916,151). No dividend is proposed for 2007 (2006: £nil).

**4. The 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 the 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 or any of its subsidiaries.

**5. Directors**

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 (appointed 1/11/2007)  
M R Hampton  
B D J Kent (resigned 1/11/2007)  
R King

**6. 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.

**BUPA TREASURY LIMITED**

**REPORT OF THE DIRECTORS**

**for the year ended 31 December 2007 - continued**

**7. 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

20 March 2008

By Order of the Board



For and on behalf of  
BUPA Secretaries Limited  
Secretary

## **BUPA TREASURY 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 the directors 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 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 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 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 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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA TREASURY LIMITED**

We have audited the financial statements of BUPA Treasury Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds 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 also 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 with the company 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 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.

**BUPA TREASURY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA TREASURY LTD**

**- continued**

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 the 31 December 2007 and of its profit for the year then ended,
- 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*  
20 March 2008

8 Salisbury Square  
London EC4Y 8BB

**BUPA TREASURY LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2007**

	<i>Note</i>	2007 £	2006 £
Income from investment activities	4	24,974,955	30,376,591
Interest payable and similar charges	5	(20,652,036)	(26,894,138)
Operating expenses		<u>(161,434)</u>	<u>(86,989)</u>
<b>Profit on ordinary activities before taxation</b>		4,161,485	3,395,466
Tax credit/(charge) on profit on ordinary activities	7	4,298,239	(479,315)
<b>Profit for the financial year</b>		<u><u>8,459,724</u></u>	<u><u>2,916,151</u></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

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

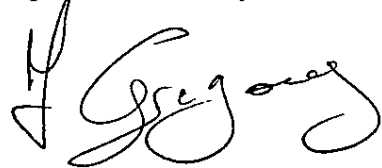
The accounting policies and notes on pages 9 to 13 form part of these financial statements

**BUPA TREASURY LIMITED**

**BALANCE SHEET**  
as at 31 December 2007

	<i>Note</i>	2007 £	2006 £
<b>Fixed assets</b>			
Investments	8	14,000,123	610,274,573
<b>Current assets</b>			
Debtors amounts falling due within one year	9	76,506,248	60,304,664
Cash at bank and in hand		694,305	53,970
<b>Creditors: amounts falling due within one year</b>	10	(2,724,569)	(604,239,923)
<b>Net current assets / (liabilities)</b>		74,475,984	(543,881,289)
<b>Total assets less current liabilities</b>		<u>88,476,107</u>	<u>66,393,284</u>
<b>Net assets</b>		<u>88,476,107</u>	<u>66,393,284</u>
<b>Capital and reserves</b>			
Called up share capital	11	71,223,099	57,600,000
Profit and loss account	12	17,253,008	8,793,284
<b>Equity shareholders' funds</b>		<u>88,476,107</u>	<u>66,393,284</u>

These financial statements were approved by the Board of Directors on 20 March 2008 and were signed on its behalf by



F D Gregory

Director

The accounting policies and notes on pages 9 to 13 form part of these financial statements



**BUPA TREASURY LIMITED****RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the year ended 31 December 2007**

	2007 £	2006 £
<b>Profit for the financial year</b>	8,459,724	2,916,151
Issue of ordinary shares (13,623,099 shares at £1 each)	13,623,099	-
<b>Net addition to shareholders' funds</b>	22,082,823	2,916,151
Opening shareholders' funds	66,393,284	63,477,133
<b>Closing shareholders' funds</b>	<u>88,476,107</u>	<u>66,393,284</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2007**

**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

**(b) Related party transactions**

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 Disclosures (FRS 8) not included details of transactions with other BUPA group companies which are subsidiary undertakings of the BUPA Group. There are no other related party transactions

**(c) 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

**(d) Cash and liquid resources**

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

**(e) Investments**

All investments are included at cost less any provision for impairment in value. Dividends on equity investments are accounted for on a received basis and other investment income is accounted for on an accruals basis. Profits or losses on disposal are accounted for by reference to carrying values

**(f) Interest bearing borrowings**

Immediately after issue, debt is stated at the fair value of the consideration received after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount

**(g) Taxation including deferred taxation**

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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

- (i) Provision is made for tax on gains arising from the revaluation of property to its market 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

## **BUPA TREASURY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 - continued**

#### **1. STATEMENT OF ACCOUNTING POLICIES - continued**

##### **(g) Taxation including deferred taxation - continued**

- (ii) Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- (iii) 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

##### **(h) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### **2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS**

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

The ultimate parent undertaking of BUPA Treasury Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. The Group company preparing consolidated group accounts is BUPA Finance Plc. Copies of these accounts can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

# BUPA TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 - continued

### 3. STAFF COSTS AND DIRECTORS' REMUNERATION

#### (a) Employees

The Company had no employees during the year (2006 nil) and consequently incurred no staff costs

#### (b) Directors' remuneration

No remuneration was paid to any of the directors for the year (2006 £nil)

### 4. INCOME FROM INVESTMENT ACTIVITIES

	2007	2006
	£	£
Interest receivable from Group undertakings	11,996,784	3,488,402
Exchange gain/(loss)	230,267	(1,183)
Recognition of deferred consideration	12,747,904	26,889,372
	<u>24,974,955</u>	<u>30,376,591</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Interest payable to Group undertakings	20,652,018	26,894,138
Other interest payable	18	-
	<u>20,652,036</u>	<u>26,894,138</u>

### 6. AUDITORS' REMUNERATION

	2007	2006
	£	£
Fees for the audit of the company	<u>2,711</u>	<u>2,500</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.

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.

### 7. TAX (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES

#### (i) Analysis of tax (credit)/charge

	2007	2006
	£	£
Current tax		
UK corporation tax on profits for the year	1,248,445	995,916
Adjustments in respect of prior periods	(5,546,684)	(516,601)
Tax charge on profit on ordinary activities	<u>(4,298,239)</u>	<u>479,315</u>

# BUPA TREASURY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 - continued

### 7. TAX (CREDIT)/CHARGE ON PROFIT ON ORDINARY ACTIVITIES - continued

#### (ii) Factors affecting the tax (credit)/charge

The tax assessed for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	4,161,485	3,395,466
Tax charge on profit on ordinary activities at 30% (2006 30%)	1,248,445	1,018,640
Effects of		
Adjustments to tax credit in respect of prior periods	(5,546,684)	(516,601)
Movement on deferred tax asset not recognised	-	(22,724)
Total current tax charge for the year	(4,298,239)	479,315

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

As at 31 December 2007, the company had capital tax losses carried forward of £nil (2006 £19.5m) against which no deferred tax asset has been recognised. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### 8. INVESTMENTS

	2007 £	2006 £
Investments in group undertakings	803	803
Loans to group undertakings	13,999,320	610,273,770
	14,000,123	610,274,573

	Holding	Class of share	Place of Incorporation
BUPA Egypt Insurance S A E	0.02%	Ordinary	Egypt

BUPA Egypt Insurance S A E's principal activity is to provide insurance contracts for customers based in the Middle East.

In July 2007 BUPA Treasury Limited acquired a 50% shareholding in Dolphyn Court Properties Limited for £13,623,099. This investment was then sold to BUPA Europe Limited for the same value during July 2007.

### 9. DEBTORS

#### Amounts falling due within one year:

	2007 £	2006 £
Amounts owed by Group undertakings	76,506,248	73,052,568
Recognition of deferred consideration	-	(12,747,904)
	76,506,248	60,304,664

The deferred consideration represented consideration received in September 2007 arising from the sale of BUPA Care Homes (CFG) Plc.

## BUPA TREASURY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2007 - continued

#### 10. CREDITORS

Amounts falling due within one year:	2007	2006
	£	£
Amounts owed to Group undertakings		
- Bond	-	597,452,691
- Current loan balance	2,724,569	1,230,603
- Group relief	-	4,692,031
Corporation tax	-	853,876
Accruals	-	10,722
	<u>2,724,569</u>	<u>604,239,923</u>

The bond represented amounts paid to a fellow UK Group company in September 2007 which included a discount of £nil in 2007 (2006 £12.7m)

#### 11. SHARE CAPITAL

	2007	2006
	£	£
Authorised, allotted, called-up and fully paid ordinary shares of £1 each		
Opening balance	57,600,000	57,600,000
Issued during the year	13,623,099	-
Closing balance	<u>71,223,099</u>	<u>57,600,000</u>

On 30 May 2007, BUPA Treasury Limited issued and allotted a further 13,623,099 ordinary shares of £1 each for cash

#### 12. RESERVES

	2007	2006
	£	£
At the beginning of the year	8,793,284	5,877,133
Profit for the year	<u>8,459,724</u>	<u>2,916,151</u>
At the end of the year	<u>17,253,008</u>	<u>8,793,284</u>

#### 13. CONTINGENT LIABILITIES

The company has given a guarantee and loan 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.