

BUPA EUROPE LIMITED

(Registered No. 2657383)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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BUPA EUROPE 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. The company is incorporated in England and Wales.

1. Principal activities

The principal activity of the company is that of an investment company.

2. Review of the business

The directors consider the development of the company during the year to be satisfactory.

3. 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.

4. Results and dividends

The profit for the year, after taxation, amounted to £1,180,562 (2005 £2,557,696).
Dividends of £2,500,483 were paid in the year (2005 £340,000,000).

5. 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 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 or any of its subsidiaries.

6. 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
M R Hampton
B D J Kent
R King

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

7. 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

8. 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

13 March 2007

By Order of the Board



For and on behalf of
BUPA Secretaries Ltd
Secretary

BUPA EUROPE 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 period. 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 that 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

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 EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA EUROPE LIMITED

We have audited the financial statements of BUPA Europe Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement 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 2.

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 EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA EUROPE LIMITED - 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 2006 and of its profit for the period 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
13 March 2007

8 Salisbury Square
London EC4Y 8BB

BUPA EUROPE LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Interest receivable and similar income	4	456,386	3,693,738
Interest payable and similar charges	5	(4,261)	(2,010)
Operating expenses		(42,327)	(37,875)
Profit on ordinary activities before taxation		<u>409,798</u>	<u>3,653,853</u>
Tax on profit on ordinary activities	7	770,764	(1,096,157)
Retained profit for the financial year		<u><u>1,180,562</u></u>	<u><u>2,557,696</u></u>

The operating profit is all derived from continuing operations

There are no recognised gains or losses other than profit for the financial year

There are 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 8 to 12 form part of these financial statements

BUPA EUROPE LIMITED**BALANCE SHEET****as at 31 December 2006**

	<i>Note</i>	2006 £	2005 £
Fixed assets			
Investments	8	3,621,442	220
Current assets			
Debtors amounts falling due within one year	9	6,159,968	8,457,052
Debtors amounts falling after more than one year	9	21,628	-
		6,181,596	8,457,052
Cash at bank and in hand		14,741	3,264
		<u>6,196,337</u>	<u>8,460,316</u>
Creditors amounts falling due within one year	10	(243,682)	(76,518)
Net current assets		<u>5,952,655</u>	<u>8,383,798</u>
Total assets less current liabilities		<u>9,574,097</u>	<u>8,384,018</u>
Capital and reserves			
Called up share capital	11	10,534	534
Share premium	11	2,500,000	-
Profit and loss account	12	7,063,563	8,383,484
		<u>9,574,097</u>	<u>8,384,018</u>
Shareholders' funds			
Equity		9,573,663	8,383,584
Non equity		434	434
		<u>9,574,097</u>	<u>8,384,018</u>

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



B D J Kent
Director

The accounting policies and notes on pages 8 to 12 form part of these financial statements

BUPA EUROPE LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**
for the year ended 31 December 2006

	2006 £	2005 £
Retained profit for the financial year	1,180,562	2,557,696
Issue of preference shares (10,000 shares at £1 each)	10,000	-
Share premium on preference shares	2,500,000	-
Dividend payable to group companies	(2,500,483)	(340,000,000)
Net addition/(reduction) to shareholders' funds	<u>1,190,079</u>	<u>(337,442,304)</u>
Opening shareholders' funds	8,384,018	345,826,322
Closing shareholders' funds	<u><u>9,574,097</u></u>	<u><u>8,384,018</u></u>

BUPA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006

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) 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 rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

(d) 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.

(e) Investments

Listed investments are stated at market value and unrealised gains and losses are taken directly to the reserves. All other 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.

BUPA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. STATEMENT OF ACCOUNTING POLICIES - continued

(f) 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

- (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
- (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 years 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

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

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

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

BUPA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006 - continued

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

The company had no employees during the year (2005 nil) and consequently incurred no staff costs

(b) Directors' remuneration

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

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Dividends received	-	972
Interest receivable	1,792	-
Interest receivable from group undertakings	448,519	3,692,708
Foreign exchange gain	6,075	58
	<u>456,386</u>	<u>3,693,738</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Interest payable to group undertakings	4,247	2,010
Other interest payable	14	-
	<u>4,261</u>	<u>2,010</u>

6. AUDITORS' REMUNERATION

	2006 £	2005 £
Fees for the audit of the company	<u>2,500</u>	<u>2,242</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 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.

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of charge

	2006 £	2005 £
Current tax		
UK corporation tax on profits of the year	120,590	1,096,157
Adjustments in respect of prior years	(891,354)	-
Tax on profit on ordinary activities	<u>(770,764)</u>	<u>1,096,157</u>

BUPA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2006 - continued

(ii) Factors affecting the tax charge

The tax assessed for the year is lower (2005 equal) than the standard rate of corporation tax in the UK of 30%. The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before tax	409,798	3,653,853
Tax charge on profit on ordinary activities at 30%	122,939	1,096,157
Effects of		
Non taxable income	(2,349)	-
Adjustments to tax charge in respect of prior years	(891,354)	-
Total current tax charge for year	<u>(770,764)</u>	<u>1,096,157</u>

8. INVESTMENTS

	1 January 2006 £	Additions £	31 December 2006 £
Listed investments at market value	220	6,702	6,923
Loans to Group undertakings	-	3,614,520	3,614,520
	<u>220</u>	<u>3,621,222</u>	<u>3,621,442</u>

9. DEBTORS

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed by Group undertakings	6,159,968	8,456,244
Other debtors	-	808
	<u>6,159,968</u>	<u>8,457,052</u>

(b) Amounts falling due after more than one year:

	2006 £	2005 £
Amounts owed by group undertakings	21,628	-
	<u>21,628</u>	<u>-</u>

10. CREDITORS

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	239,488	74,659
Accruals and deferred income	4,194	1,859
	<u>243,682</u>	<u>76,518</u>

11. SHARE CAPITAL

	2006 £	2005 £
Authorised		
Non-Convertible Non-Voting Irredeemable Preference Shares of £1 each	400	400
Non-redeemable B Preference Shares of £1 each	10,000	-
Ordinary shares of £1 each	566	566
Non-Voting Preference shares of £1 each	34	34
	<u>11,000</u>	<u>1,000</u>

BUPA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006 - continued

11. SHARE CAPITAL Continued

	2006	2005
Allotted, called-up and fully paid	£	£
Non-Convertible Non-Voting Irredeemable Preference Shares of £1 each	400	400
Non-redeemable B Preference Shares of £1 each	10,000	-
100 Ordinary shares of £1 each	100	100
Non-Voting Preference shares of £1 each	34	34
	<u>10,534</u>	<u>534</u>

On 13th November 2006, the company issued 10,000 non-redeemable B preference shares to a fellow subsidiary of British United Provident Association Limited at a premium of £2,500,000. A dividend of £2,500,483 was paid on these shares on 20th November 2006.

12. RESERVES

On the 20th November 2006 the company declared and subsequently paid an interim dividend on preference shares of £2,500,483 to BUPA Malta Investments No 2 Ltd.

	Profit and Loss Reserve	Share Premium Reserve	Total
	£	£	£
At beginning of year	8,383,484	-	8,383,484
Profit for the year	1,180,562	-	1,180,562
Issue of preference shares	-	2,500,000	2,500,000
Dividends payable to group companies	(2,500,483)	-	(2,500,483)
At the end of the year	<u>7,063,563</u>	<u>2,500,000</u>	<u>9,563,563</u>

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