

BUPA FINANCE NO. 2 LIMITED

(Registered No. 3786845)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001



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BUPA FINANCE NO. 2 LIMITED

REPORT OF THE DIRECTORS for the year ended 31 December 2001

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

1. Principal activities

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

2. Review of the business

During the year the Company was involved in a corporate reorganisation. On the 9 May 2001 the Company's holding company subscribed for 300 5% non-cumulative preference shares of £1 each at a premium of £299,999,700. The Company subsequently purchased 99.9% of the ordinary shares in Sanitas S.A. de Seguros for a total consideration of £300,000,002. The Company then sold this investment to BUPA Spain BV. The consideration of £300,000,002 was settled by the issue of 2,290 5% non-cumulative shares of €1 each in BUPA Spain BV.

The Directors consider the development of the Company during the year to be satisfactory.

3. Results and dividends

The loss for the year, after taxation, amounted to £1,452 (2000 : £ nil).

No dividend is proposed for 2001 (2000 : £ 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	(Appointed 1/1/02)
D A Holden	(Resigned 31/12/01)
R King	(Appointed 1/8/01)
E W Lea	(Resigned 13/9/01)
A D Walford	

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

5. Auditors

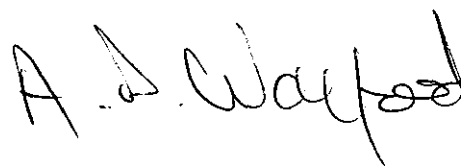
Pursuant to a shareholders resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

Registered Office :

BUPA House
15-19 Bloomsbury Way
London
WC1A 2BA

14 March 2002

By Order of the Board



A D Walford
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 FINANCE NO. 2 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA FINANCE NO. 2 LIMITED

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

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 the company's affairs as at 31 December 2001 and of its loss 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
8 Salisbury Square
London, EC4Y 8BB

14 March 2002

BUPA FINANCE NO. 2 LIMITED**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2001**

	<i>Note</i>	2001 £	2000 £
Operating Expenses	3	(1,452)	-
Loss on ordinary activities before taxation		<u>(1,452)</u>	<u>-</u>
Tax on loss on ordinary activities		-	-
Retained loss for the financial year		<u><u>(1,452)</u></u>	<u><u>-</u></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.

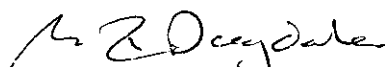
There were no material differences between reported loss and historical loss on ordinary activities before and after taxation.

BUPA FINANCE NO. 2 LIMITED**BALANCE SHEET****as at 31 December 2001**

	<i>Note</i>	2001 £	2000 £
Fixed Assets			
Investments	4	300,000,002	-
Debtors: amounts falling due within one year	5	-	2
Creditors: amounts falling due within one year	6	(1,452)	-
Net Current Assets		<u>(1,452)</u>	<u>2</u>
Total Assets		<u>299,998,550</u>	<u>2</u>
Capital and reserves			
Called up share capital	7	302	2
Share Premium	8	299,999,700	-
Profit & Loss Account		(1,452)	-
Shareholders' funds		<u>299,998,550</u>	<u>2</u>

These financial statements were approved by the Board of Directors on 14 March 2002 and were signed on its behalf by

M I Dugdale



Director

The notes on pages 7 to 9 form part of these financial statements.

BUPA FINANCE NO. 2 LIMITED**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****for the year ended 31 December 2001**

	2001 £	2000 £
Loss for the financial year	(1,452)	-
Opening shareholders' funds	2	2
New share capital subscribed	300	-
Share Premium	299,999,700	-
Closing shareholders funds	<u>299,998,550</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

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.

As the Company is a wholly owned subsidiary of The British United Provident Association Limited, it has taken advantage of the exemption contained in Financial Reporting Standard No. 8 and has therefore not disclosed separately transactions or balances with entities which form part 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) Investments

Investments are included at cost less any provision for impairment in value.

(d) 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.

(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. No payment is made for group relief claimed c surrendered.

BUPA FINANCE NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2001

2. STAFF COSTS AND DIRECTORS' REMUNERATION

Employees

The Company had no employees during the year (2000 : nil) and consequently incurred no staff costs. No remuneration was paid to any of the directors for the year (2000 : £nil).

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£	£
<i>Loss on ordinary activities is stated after charging:</i>		
Auditors' remuneration	1,452	-

4. INVESTMENTS

	2001	2000
	£	£
Investments in subsidiaries		
Shares in Group undertakings as at 1 January	-	-
Additions	600,000,004	-
Disposals	(300,000,002)	-
Shares in Group undertakings as at 31 December	300,000,002	-

In the opinion of the directors the investment in the Company's subsidiary is worth at least the amounts at which it is stated in the balance sheet.

The principal subsidiary undertakings are listed below.

	Holding	Class of share	Place of incorporation
BUPA Spain BV	100%	Preference	Netherlands

5. DEBTORS

	2001	2000
	£	£
Amounts falling due within one year :		
Amounts owed by Group undertakings	-	2

6. CREDITORS

	2001	2000
	£	£
Accruals and deferred income	1,452	-

7. SHARE CAPITAL

	2001	2000
	£	£
Authorised		
Ordinary shares of £1 each	9,999,700	10,000,000
5% Non-cumulative preference of £1 each	300	-
Allotted, called-up and fully paid		
Ordinary shares of £1 each	2	2
5% Non-cumulative preference of £1 each	300	-
	302	2

BUPA FINANCE NO. 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS **for the year ended 31 December 2001**

8. SHARE PREMIUM

	2001	2000
	£	£
As at 1 January	-	-
Additions	<u>299,999,700</u>	-
As at 31 December	<u>299,999,700</u>	<u>-</u>

9. ULTIMATE PARENT COMPANY

The ultimate parent company is The British United Provident Association Limited, a company incorporated in England and Wales.

A copy of The British United Provident Association Limited's consolidated financial statements is available to the public from The Registrar of Companies, Cardiff, CF4 3UZ.