

**BUPA FINANCIAL INVESTMENTS LIMITED**

**(Registered No. 4542639)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

THURSDAY



\*L4WPUQSM\*

LD4

28/06/2007

445

COMPANIES HOUSE

# **BUPA FINANCIAL INVESTMENTS 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**

The principal activities for the company for the year were those of an investment holding company. The results for the company show a profit of £14.1m (2005 £14.7m) for the year and turnover of £20.8m (2005 £21.2m). The company has net assets of £438.9m (2005 £424.7m). During the year the company continued to trade as an investment holding company for the Group's subsidiaries.

Internal investment activities decreased in the year generating a reduction in operating profit of £0.5m. During the year the intercompany funding of other Group companies decreased due to the changing funding requirements of these companies.

The external commercial environment is expected to remain competitive in 2007. 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 believe that these risks and uncertainties are managed effectively where possible 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. 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.

### **4. Directors and directors' interests**

The names of persons who were Directors at any time during the year are as follows:

J P Davies

R King

N T Beazley

M R Hampton

B D J Kent

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

### **5. 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 FINANCIAL INVESTMENTS LIMITED**

## **REPORT OF THE DIRECTORS for the year ended 2006 - continued**

### **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

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 FINANCIAL INVESTMENTS 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

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 FINANCIAL INVESTMENTS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUPA FINANCIAL INVESTMENTS LIMITED**

We have audited the financial statements of BUPA Financial Investments 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 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 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 FINANCIAL INVESTMENTS LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BUPA FINANCIAL INVESTMENTS 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 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**

*Chartered Accountants*

*Registered Auditor*

13 March 2007

8 Salisbury Square  
London EC4Y 8BB

# **BUPA FINANCIAL INVESTMENTS LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**for the year ended 31 December 2006**

	<i>Note</i>	2006 £	2005 £
Income from investment activities	4	20,806,192	21,229,180
Interest payable and similar charges	5	(637,647)	(144,191)
Operating expenses		(2,337)	(1,915)
<b>Profit on ordinary activities before taxation</b>		<u>20,166,208</u>	<u>21,083,074</u>
Tax on profit on ordinary activities	7	(6,049,997)	(6,327,344)
<b>Retained profit for the financial year</b>		<u><u>14,116,211</u></u>	<u><u>14,755,730</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 14 form part of these financial statements

**BUPA FINANCIAL INVESTMENTS LIMITED****BALANCE SHEET****as at 31 December 2006**

	<i>Note</i>	2006 £	2005 £
<b>Fixed assets</b>			
Investments	8	82,248	84,315
<b>Current assets</b>			
Debtors amounts falling due after more than one year	9	457,929,309	437,192,283
Cash at bank and in hand		<u>201,757</u>	<u>49,548</u>
		458,131,066	437,241,831
Creditors amounts falling due within one year	10	<u>(19,308,798)</u>	<u>(12,618,628)</u>
<b>Net current assets</b>		438,822,268	424,623,203
Creditors amounts falling due after more than one year	10	(15,000)	(15,000)
<b>Net assets</b>		<u>438,889,516</u>	<u>424,692,518</u>
<b>Capital and reserves</b>			
Called up share capital	11	395,750,000	395,600,000
Share premium	12	27,285,000	14,235,000
Profit and loss account	12	15,854,516	14,857,518
<b>Shareholders' funds</b>		<u>438,889,516</u>	<u>424,692,518</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 9 to 14 form part of these financial statements

# **BUPA FINANCIAL INVESTMENTS LIMITED**

## **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

**for the year ended 31 December 2006**

		2006 £	2005 £
<b>Retained profit for the financial year</b>		14,116,211	14,755,730
Issue of preference shares (150,000 at £1 each)	11	150,000	-
Share premium on preference shares	12	13,050,000	-
Dividends paid to Group companies	12	(13,119,213)	-
<b>Net addition to shareholders' funds</b>		<u>14,196,998</u>	<u>14,755,730</u>
<b>Opening shareholders' funds</b>		424,692,518	409,936,788
<b>Closing shareholders' funds</b>		<u><u>438,889,516</u></u>	<u><u>424,692,518</u></u>

# **BUPA FINANCIAL INVESTMENTS 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 UK accounting standards, and under the historical cost accounting convention and on a going concern basis

#### **(b) 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

#### **(c) 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

#### **(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 held to maturity and are amortised over the life of the investment via the profit and loss account. 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

#### **(f) Taxation including deferred taxation**

The charge for taxation is based on the result for the period 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

## **BUPA FINANCIAL INVESTMENTS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2006 - continued**

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

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

- (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 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.

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

The immediate parent undertaking of BUPA Financial Investments Limited is BUPA Spain BV, a company registered in the Netherlands.

The ultimate parent undertaking of BUPA Finance (Jersey) Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. Both BUPA Finance PLC and BUPA prepare consolidated group accounts which include BUPA Finance (Jersey) Limited. Copies of these accounts can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

# BUPA FINANCIAL INVESTMENTS 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 and consequently incurred no staff costs (2005 nil)

#### (b) Directors' remuneration

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

### 4. INCOME FROM INVESTMENT ACTIVITIES

	2006	2005
	£	£
Investment income		
Interest receivable from Group undertakings	20,733,962	21,210,665
Income from listed investments	6,797	3,697
Interest receivable	65,433	14,818
	<u>20,806,192</u>	<u>21,229,180</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Finance cost on shares classified as liabilities	750	8,073
Interest payable to Group undertakings	636,897	136,118
	<u>637,647</u>	<u>144,191</u>

### 6. AUDITORS' REMUNERATION

	2006	2005
	£	£
Fees for the audit of the company	<u>3,500</u>	<u>3,139</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 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.

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (i) Analysis of tax charge

	2006	2005
	£	£
Current tax		
UK corporation tax on profits of the year	6,049,997	6,327,344
Tax on profit on ordinary activities	<u>6,049,997</u>	<u>6,327,344</u>

# BUPA FINANCIAL INVESTMENTS LIMITED

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

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES - continued

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

The tax assessed for the period is equal to (2005 higher 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	<u>20,166,208</u>	<u>21,083,074</u>
Tax charge on profit on ordinary activities at 30%	6,049,862	6,324,922
Effects of		
Non deductible expenses	<u>135</u>	<u>2,422</u>
Total current tax charge for year	<u><u>6,049,997</u></u>	<u><u>6,327,344</u></u>

### 8. INVESTMENTS

	2006 £	2005 £
Government Issued Bond		
Brought forward	84,315	86,418
Amortisation	<u>(2,067)</u>	<u>(2,103)</u>
At the end of the year	<u><u>82,248</u></u>	<u><u>84,315</u></u>

### 9. DEBTORS

	2006 £	2005 £
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	<u><u>457,929,309</u></u>	<u><u>437,192,283</u></u>

### 10. CREDITORS

	2006 £	2005 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	19,303,304	12,616,219
Accruals and deferred income	<u>5,494</u>	<u>2,409</u>
	<u><u>19,308,798</u></u>	<u><u>12,618,628</u></u>

	2006 £	2005 £
Amounts falling due after more than one year :		
Shares classified as liabilities (Note 11)	<u><u>15,000</u></u>	<u><u>15,000</u></u>

# BUPA FINANCIAL INVESTMENTS LIMITED

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

11. SHARE CAPITAL	2006	2005
<b>Authorised</b>	£	£
500,000,000 Ordinary shares of £1 each	500,000,000	500,000,000
15,000 Preference shares of £1 each	15,000	15,000
150,000 Preference A shares of £1 each	150,000	-
	<u>500,165,000</u>	<u>500,015,000</u>
<b>Allotted, called-up and fully paid</b>		
395,600,000 Ordinary shares of £1 each	395,600,000	395,600,000
150,000 Preference A shares of £1 each	150,000	-
	<u>395,750,000</u>	<u>395,600,000</u>
<b>Shares classified as liabilities</b>		
15,000 Preference shares of £1 each	<u>15,000</u>	<u>15,000</u>

On 31st July 2006, the company issued £150,000 of fully-paid up non-voting preference A shares to a fellow subsidiary of The British United Provident Association Limited for cash consideration of £13,200,000. On 8th September 2006, the company declared and subsequently paid a dividend on these shares of £13,119,213.

The preference shares carry a dividend of LIBOR% per annum. Dividends are payable on 31 March and 30 September in each year. The dividend rights are cumulative. The payment of a dividend of LIBOR% per annum on preference A shares is at the sole and absolute discretion of the directors. The dividend rights are cumulative.

The preference shares and preference A shares carry no votes at meetings unless the business of the meeting includes a resolution for the winding up of the company or reduction or repayment of all or any part of the capital paid up on any shares.

On a winding up of the company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend. Subject to the rights of the holders of the preference shares, but otherwise in priority to any holder of any other class of shares, preference A shareholders shall be entitled to receive an amount equal to the aggregate of the capital paid up or credited as paid up as to the nominal value on each preference A share as well as any accrued dividend up to the date of the winding up.

## **BUPA FINANCIAL INVESTMENTS LIMITED**

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

#### **12. RESERVES**

	Profit and Loss Reserve £	Share premium Reserve £	Total £
At the beginning of the year	14,857,518	14,235,000	29,092,518
Retained Profit for the year	14,116,211	-	14,116,211
Dividend Paid	(13,119,213)	-	(13,119,213)
Share premium on preference A shares	-	13,050,000	13,050,000
At the end of the year	<u>15,854,516</u>	<u>27,285,000</u>	<u>43,139,516</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 and loans of certain other Group undertakings