

BUPA FINANCIAL INVESTMENTS LIMITED

(Registered No. 4542639)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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BUPA FINANCIAL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 December 2007

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

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 £16.0m (2006: £14.1m) for the year and turnover of £23.7m (2006: £20.8m). The company has net assets of £454.8m (2006: £438.9m). During the year the company continued to trade as an investment holding company for the Group's subsidiaries.

Internal investment activities increased in the year generating an increase in operating profit of £2.6m. During the year the intercompany funding of other Group companies increased due to the changing funding requirements of these companies.

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 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 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.

4. 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

BUPA FINANCIAL INVESTMENTS LIMITED

REPORT OF THE DIRECTORS **for the year ended 2007 - continued**

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

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

27 March 2008

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 2007 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 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
Chartered Accountants
Registered Auditor
27 March 2008

8 Salisbury Square
London EC4Y 8BB

BUPA FINANCIAL INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Income from investment activities	4	23,702,368	20,806,192
Interest payable and similar charges	5	(911,274)	(637,647)
Operating expenses		3,816	(2,337)
Profit on ordinary activities before taxation		<u>22,794,910</u>	<u>20,166,208</u>
Tax on profit on ordinary activities	7	(6,838,998)	(6,049,997)
Retained profit for the financial year		<u><u>15,955,912</u></u>	<u><u>14,116,211</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

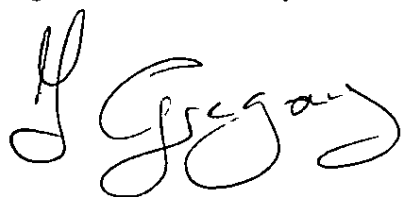
The accounting policies and notes on pages 9 to 15 form part of these financial statements

BUPA FINANCIAL INVESTMENTS LIMITED

BALANCE SHEET as at 31 December 2007

	<i>Note</i>	2007 £	2006 £
Fixed assets			
Investments	8	481,707,737	458,011,557
Current assets			
Cash at bank and in hand		207,567	201,757
Creditors' amounts falling due within one year	9	<u>(27,054,875)</u>	<u>(19,308,798)</u>
Net current assets		(26,847,309)	(19,107,041)
Total assets less current liabilities		<u>454,860,428</u>	<u>438,904,516</u>
Creditors' amounts falling due after more than one year	9	(15,000)	(15,000)
Net assets		<u><u>454,845,428</u></u>	<u><u>438,889,516</u></u>
Capital and reserves			
Called up share capital	10	395,750,000	395,750,000
Share premium	11	27,285,000	27,285,000
Profit and loss account	11	31,810,428	15,854,516
Shareholders' funds		<u><u>454,845,428</u></u>	<u><u>438,889,516</u></u>

These financial statements were approved by the Board of Directors on 27 March 2008 and were signed on its behalf by



F D Gregory
Director

The accounting policies and notes on pages 9 to 15 form part of these financial statements

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

	2007 £	2006 £
Retained profit for the financial year	15,955,912	14,116,211
Issue of preference shares (150,000 at £1 each)	-	150,000
Share premium on preference shares	-	13,050,000
Dividends payable to group companies	-	(13,119,213)
Net addition to shareholders' funds	<u>15,955,912</u>	<u>14,196,998</u>
Opening shareholders' funds	438,889,516	424,692,518
Closing shareholders' funds	<u><u>454,845,428</u></u>	<u><u>438,889,516</u></u>

BUPA FINANCIAL INVESTMENTS LIMITED

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

1. STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements, except where noted below.

(a) 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, in view of the letter of support from BUPA Investments Overseas Ltd, which undertakes to provide such support as is necessary to enable the company to meet its liabilities as they fall due

(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) Cash and liquid resources

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

(f) 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.

(g) 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

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

1. STATEMENT OF ACCOUNTING POLICIES - continued

(h) 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

- (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.

(j) Classification of financial instruments issued by the company - (FRS 25 Financial Instruments Presentation)

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) They include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company and
- b) Where the instrument will or may be settled in the company's own equity instruments, it is either a no derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability

Where the instrument so classified takes the form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

BUPA FINANCIAL INVESTMENTS LIMITED

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

1. STATEMENT OF ACCOUNTING POLICIES - continued

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

2. IMMEDIATE AND ULTIMATE PARENT UNDERTAKINGS

The immediate parent undertaking of BUPA Financial Investments Limited is Bupa Finance (Jersey) company registered in the Netherlands.

The ultimate parent undertaking of BUPA Financial Investments Limited is The British United Provident Association Limited (BUPA), a company registered in England and Wales. The smallest group into which these financial statements are consolidated is that headed by BUPA Finance PLC.

Both BUPA Finance PLC and BUPA prepare consolidated group accounts which include BUPA Financial Investments 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 2007 - continued**

3. STAFF COSTS AND DIRECTORS' REMUNERATION

(a) Employees

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

(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	23,698,148	20,733,962
Income from listed investments	3,552	6,797
Interest receivable	668	65,433
	<u>23,702,368</u>	<u>20,806,192</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Finance cost on shares classified as liabilities	909	750
Interest payable to Group undertakings	909,865	636,897
Other Interest Payable	500	-
	<u>911,274</u>	<u>637,647</u>

6. AUDITORS' REMUNERATION

	2007	2006
	£	£
Fees for the audit of the company	<u>3,795</u>	<u>3,500</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 ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge

	2007	2006
	£	£
UK corporation	6,838,908	6,049,997
Adjustments in respect of prior periods	90	-
Tax on profit on ordinary	<u>6,838,998</u>	<u>6,049,997</u>

BUPA FINANCIAL INVESTMENTS LIMITED

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

7. TAX ON PROFIT ON ORDINARY ACTIVITIES - continued

(ii) Factors affecting the tax charge

The tax assessed for the period is equal to (2006: equal to) the standard rate of corporation tax in the UK of 30%. The differences are explained below.

	2007 £	2006 £
Profit on ordinary activities before tax	<u>22,794,910</u>	<u>20,166,208</u>
Tax charge on profit on ordinary activities at 30%	6,838,473	6,049,862
Effects of:		
Non deductible expenditure	435	135
Adjustments in respect of prior years	90	-
Total current tax charge for year	<u>6,838,998</u>	<u>6,049,997</u>

8. INVESTMENTS

	2007 £	2006 £
Loans to group undertakings	481,627,456	457,929,309
Money Market Deposit	80,281	-
Government Gilt (Brought forward)	-	84,315
Amortisation	-	(2,067)
At the end of the year	<u>481,707,737</u>	<u>458,011,557</u>

9. CREDITORS

	2007 £	2006 £
Amounts falling due within one year:		
Amounts owed to Group undertakings	27,041,592	19,303,304
Accruals and deferred income	13,283	5,494
	<u>27,054,875</u>	<u>19,308,798</u>

	2007 £	2006 £
Amounts falling due after more than one year :		
Shares classified as liabilities (Note 10)	<u>15,000</u>	<u>15,000</u>

BUPA FINANCIAL INVESTMENTS LIMITED

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

10. SHARE CAPITAL	2007	2006
	£	£
Authorised		
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	150,000
	<u>500,165,000</u>	<u>500,165,000</u>
Allotted, called-up and fully paid		
395,600,000 Ordinary shares of £1 each	395,600,000	395,600,000
150,000 Preference A shares of £1 each	150,000	150,000
	<u>395,750,000</u>	<u>395,750,000</u>
Shares classified as liabilities		
15,000 Preference shares of £1 each	<u>15,000</u>	<u>15,000</u>

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 2007 - continued

11. RESERVES

	Profit and Loss Reserve £	Share premium Reserve £	Total £
At the beginning of the year	15,854,516	27,285,000	43,139,516
Retained Profit for the year	<u>15,955,912</u>	<u>-</u>	<u>15,955,912</u>
At the end of the year	<u>31,810,428</u>	<u>27,285,000</u>	<u>59,095,428</u>

12. 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