

**BUPA FINANCIAL INVESTMENTS LIMITED**

**(Registered No. 4542639)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2009**

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# **BUPA FINANCIAL INVESTMENTS LIMITED**

**Registered number 4542639**

## **REPORT OF THE DIRECTORS**

**for the year ended 31 December 2009**

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

### **1. Principal Activities**

The principal activities for the Company for the year were those of an investment holding company

### **2. Business Review**

The results for the Company show a profit before taxation of £10.2m (2008: £24.2m) for the year and turnover of £11.0m (2008: £25.9m). The Company has net assets of £479.5m (2008: £472.1m).

During the year the Company continued to be an investment holding company for the Group's subsidiaries.

Income from internal investment activities decreased by £14.9m in the year. The decrease can be attributed to lower interest rates which resulted in a profit after tax decrease of £9.9m. The company has two intercompany loans and interest rates are renegotiated bi-annually.

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.

The Company is managed on a divisional basis as part of the Group's operations. The directors do not therefore consider the use of KPIs to be appropriate or necessary to provide an understanding of the development, performance or position of the Company.

### **3. Proposed Dividend**

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2009 (2008: £nil).

### **4. 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.

**BUPA FINANCIAL INVESTMENTS LIMITED**

**Registered number 4542639**

**REPORT OF THE DIRECTORS**

**for the year ended 2009 - continued**

**5. Directors**

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

N T Beazley  
G M Evans  
F D Gregory  
M A Merchant

**6. Political and charitable contributions**

The Company made no political or charitable donations or incurred any political expenditure during the year

**7. International Financial Reporting Standards**

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

**8. 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

**7. Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Registered Office

Bupa House  
15-19 Bloomsbury Way  
London  
WC1A 2BA

17 March 2010

By Order of the Board



For and on behalf of  
Bupa Secretaries Limited  
Secretary

**BUPA FINANCIAL INVESTMENTS LIMITED**

**Registered number 4542639**

**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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 enable them to ensure that its financial statements comply with the Companies Act 2006. 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.

**BUPA FINANCIAL INVESTMENTS LIMITED**  
**Registered number 4542639**

**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 2009 set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP)

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements and the Companies Act 2006

**Opinion on other matter prescribed by The Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**BUPA FINANCIAL INVESTMENTS LIMITED**  
**Registered number 4542639**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Simon Pashby (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
8 Salisbury Square  
London EC4Y 8BB

17 March 2010

**BUPA FINANCIAL INVESTMENTS LIMITED**  
**Registered number 4542639**

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2009**

	<i>Note</i>	2009 £	2008 £
Income from investment activities	4	10,984,024	25,874,331
Interest payable and similar charges	5	(758,491)	(1,684,364)
Administrative expenses		(2)	-
<b>Profit on ordinary activities before taxation</b>		<u>10,225,531</u>	<u>24,189,967</u>
Tax on profit on ordinary activities	7	(2,863,461)	(6,896,853)
<b>Profit for the financial year</b>		<u><u>7,362,070</u></u>	<u><u>17,293,114</u></u>

The operating profit is all derived from continuing operations

There were no recognised gains and losses in the current or preceding financial year, other than the profits shown above

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

The notes on pages 9 to 14 form part of these financial statements

**BUPA FINANCIAL INVESTMENTS LIMITED**

Registered number 4542639

**BALANCE SHEET**

as at 31 December 2009

	<i>Note</i>	2009 £	2008 £
<b>Fixed assets</b>			
Investments	8	518,552,766	507,582,068
<b>Current assets</b>			
Cash at bank and in hand		170,627	206,619
<b>Creditors: amounts falling due within one year</b>	9	<u>(2,863,488)</u>	<u>(35,635,145)</u>
<b>Net current liabilities</b>		(2,692,861)	(35,428,526)
<b>Total assets less current liabilities</b>		<u>515,859,905</u>	<u>472,153,542</u>
<b>Creditors: amounts falling due after more than one year</b>	9	(36,359,293)	(15,000)
<b>Net assets</b>		<u><u>479,500,612</u></u>	<u><u>472,138,542</u></u>
<b>Capital and reserves</b>			
Called up share capital	10	395,750,000	395,750,000
Share premium account	11	27,285,000	27,285,000
Profit and loss account	11	56,465,612	49,103,542
<b>Shareholders' funds</b>		<u><u>479,500,612</u></u>	<u><u>472,138,542</u></u>

These financial statements were approved by the Board of Directors on 17 March 2010 and were signed on its behalf by



F D Gregory  
Director

The notes on pages 9 to 14 form part of these financial statements



**BUPA FINANCIAL INVESTMENTS LIMITED****Registered number 4542639****RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****for the year ended 31 December 2009**

	2009	2008
	£	£
Retained profit for the financial year	7,362,070	17,293,114
Net addition to shareholders' funds	<u>7,362,070</u>	<u>17,293,114</u>
Opening shareholders' funds	472,138,542	454,845,428
Closing shareholders' funds	<u><u>479,500,612</u></u>	<u><u>472,138,542</u></u>

## **BUPA FINANCIAL INVESTMENTS LIMITED**

**Registered number 4542639**

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

**for the year ended 31 December 2009**

#### **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 Finance Plc, which undertakes to provide such support as is necessary to enable the company to meet its liabilities as they fall due

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of the British United Provident Association Limited ("Bupa"), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Bupa, within which this Company is included, can be obtained from the address given in note 2

##### **(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) 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

##### **(d) 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 2009 - continued**

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

**(e) 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 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
- (ii) 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

**(f) 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 non-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

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009 - 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 the Company is Bupa Spain BV, a company registered in the Netherlands.

The ultimate parent undertaking and the largest group into which these financial statements are consolidated is that headed by 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, a company registered in England and Wales. Copies of the accounts can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009 - continued**

**3. STAFF COSTS AND DIRECTORS' REMUNERATION**

**(a) Employees**

The Company had no employees during the year and consequently incurred no staff costs (2008 nil)

**(b) Directors' remuneration**

No remuneration was paid to any of the directors for the year (2008 nil)

**4. INCOME FROM INVESTMENT ACTIVITIES**

	2009	2008
	£	£
Interest receivable from Group undertakings	10,969,545	25,869,831
Finance income on shares classified as liabilities	13,256	-
Interest receivable	1,223	4,500
	<u>10,984,024</u>	<u>25,874,331</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	2009	2008
	£	£
Finance cost on shares classified as liabilities	2,011	1,105
Interest payable to Group undertakings	756,480	1,683,259
	<u>758,491</u>	<u>1,684,364</u>

**6. AUDITORS' REMUNERATION**

	2009	2008
	£	£
Fees for the audit of the Company	<u>2,000</u>	<u>1,972</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**

	2009	2008
	£	£
UK corporation	2,860,447	6,893,795
Adjustments in respect of prior periods	3,014	3,058
Tax on profit on ordinary	<u>2,863,461</u>	<u>6,896,853</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009 - continued**

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

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

The tax assessed for the period is higher (2008 higher) than the standard rate of corporation tax in the UK of 28 0% (2008 28 5%) The differences are explained below

	2009 £	2008 £
Profit on ordinary activities before tax	10,225,531	24,189,967
Tax charge on profit on ordinary activities at 28 0% (2008 28 5%)	2,863,150	6,893,480
Effects of		
Non deductible expenditure	-	315
Non-taxable income	(3,149)	-
Transfer pricing adjustments	446	-
Adjustments in respect of prior years	3,014	3,058
Total current tax charge for year	2,863,461	6,896,853

**8. INVESTMENTS**

	1 January 2009 £	Additions £	Disposals/Repayment £	31 December 2009 £
Short term deposits	84,781	1,265	(112)	85,934
<b>Group undertakings:</b>				
Loans	507,497,287	10,969,545	-	518,466,832
	507,582,068	10,970,810	(112)	518,552,766

**9. CREDITORS**

	2009 £	2008 £
<b>Amounts falling due within one year:</b>		
Amounts owed to Group undertakings	2,863,461	35,621,704
Accruals and deferred income	27	13,441
	2,863,488	35,635,145
<b>Amounts falling due after more than one year :</b>		
Amounts owed to Group undertakings	36,344,293	-
Shares classified as liabilities (Note 10)	15,000	15,000
	36,359,293	15,000

**BUPA FINANCIAL INVESTMENTS LIMITED**  
**Registered number 4542639**

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2009 - continued**

<b>10. SHARE CAPITAL</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<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	150,000
	<u>500,165,000</u>	<u>500,165,000</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	150,000
	<u>395,750,000</u>	<u>395,750,000</u>
<b>Shares classified as liabilities</b>		
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.

**11. RESERVES**

	<b>Profit and Loss Account</b>	<b>Share premium Account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At the beginning of the year	49,103,542	27,285,000	76,388,542
Retained Profit for the year	7,362,070	-	7,362,070
At the end of the year	<u>56,465,612</u>	<u>27,285,000</u>	<u>83,750,612</u>

**12. GUARANTEES & OTHER FINANCIAL COMMITMENTS IN FAVOUR OF OTHER UNDERTAKINGS IN THE SAME GROUP**

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.