

BUPA EUROPE FINANCE NO.2

**Directors' report and financial statements
for the year ended**

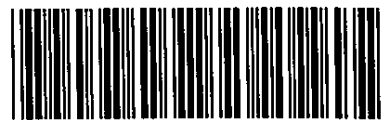
31 December 2010

Registered office:

**Bupa House
15 – 19 Bloomsbury Way
London
WC1A 2BA**

Registered number: 05313580

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Directors' report

for the year ended 31 December 2010

The Directors present their annual report and the financial statements of Bupa Europe Finance No 2 ("the Company") for the year ended 31 December 2010

The Company was re-registered as an unlimited company on 25 September 2007

1. Principal activities

The principal activity of the Company for the year was that of an investment holding company

2. Business review

Results

The profit for the year, after taxation, amounted to €2.1m (2009: €5.4m). The Company had net assets of €161.8m (2009: €159.7m).

The year on year decrease in profit after taxation is mainly attributable to the full year effect of lower interest rates in 2010 on Group loan investments entered into during 2009.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2010 (2009: €nil).

Principal risks and uncertainties

The Company's management and its strategy are subject to a number of uncertainties and risks. These risks and uncertainties include interest rate and foreign exchange rate fluctuations driven by the external investment market and the uncertainty of timing of cash generation within the other Group companies. Management believes that these risks and uncertainties are managed effectively where possible and are reviewed on a regular basis in line with Group policies.

Details of Bupa Group's business risks and risk management processes are set out in the parent company's annual report. Bupa Group consists of The British United Provident Association Limited (Bupa) and its subsidiaries and holding companies or subsidiaries of such holding companies. The Company is managed on a divisional basis as part of the Bupa 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.

Directors' report (continued)

for the year ended 31 December 2010

3 Going concern

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, the financial statements are prepared on a going concern basis

Further details regarding adoption of the going concern basis can be found in the accounting policies of the financial statements

4 International Financial Reporting Standards

The ultimate parent undertaking, The British United Provident Association Limited, has prepared group accounts in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company is not required to report under IFRS and therefore these accounts are prepared in accordance with applicable UK accounting standards

5 Directors

Details of the present Directors and any other persons who served as a Director during the year are set out below

G M Evans	
N T Beazley	
F D Gregory	(resigned 21/06/2010)
S M Los	(appointed 21/06/2010)
M A Merchant	

6. 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

7. Political and charitable contributions

The Company made no political or charitable donations during the year (2009 €nil)

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Directors' report (continued) **for the year ended 31 December 2010**

9. 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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

10. 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

By Order of the Board

Bupa House
15 – 19 Bloomsbury Way
London
WC1A 2BA



18 March 2011

For and on behalf of
Bupa Secretaries Limited
Secretary

Statement of Directors' responsibilities for the year ended 31 December 2010

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 they 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 and 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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.

Independent auditors' report to the members of Bupa Europe Finance No.2

We have audited the financial statements of Bupa Europe Finance No 2 for the year ended 31 December 2010 set out on pages 7 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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.

Independent auditors' report to the members of Bupa Europe Finance No.2 (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



Daniel Cazeaux (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

18 March 2011

Profit and loss account for the year ended 31 December 2010

	Note	2010 €	2009 €
Income from investment activities	3	3,697,085	7,663,030
Interest payable and similar charges	4	(811,897)	(703,999)
Profit on ordinary activities before taxation		2,885,188	6,959,031
Tax on profit on ordinary activities	6	(799,889)	(1,583,887)
Profit for the year		2,085,299	5,375,144

The operating profit is all derived from continuing operations

There were no recognised gains and losses other than the profit for the financial year

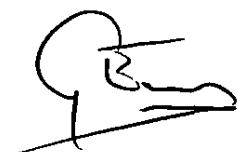
There were no material differences between reported profit and losses and historical profit and losses on ordinary activities before and after taxation

The accounting policies and notes on pages 10 to 14 form part of these financial statements

Balance sheet as at 31 December 2010

	Note	2010 €	2009 €
Fixed assets			
Investments	7	201,944,888	198,276,244
Current assets			
Debtors - due within one year	8	-	729,284
Cash at bank and in hand		971	971
		971	730,255
Creditors: amounts falling due within one year	9	(42,165)	(2,313,171)
Net current liabilities		(41,194)	(1,582,916)
Total assets less current liabilities		201,903,694	196,693,328
Creditors amounts falling due after more than one year	10	(40,123,980)	(36,998,913)
Net assets		161,779,714	159,694,415
Shareholders' funds			
Called up share capital	11	72,757,649	72,757,649
Profit and loss account	12	89,022,065	86,936,766
Shareholders' funds		161,779,714	159,694,415

These financial statements were approved by the Board of Directors on 18 March 2011
 and were signed on its behalf by



G M Evans
 Director

The accounting policies and notes on pages 10 to 14 form part of these financial statements

Reconciliation of movement in shareholders' funds for the year ended 31 December 2010

	2010 €	2009 €
Profit for the year	2,085,299	5,375,144
Opening shareholders' funds	159,694,415	154,319,271
Closing shareholders' funds	161,779,714	159,694,415

The accounting policies and notes on pages 10 to 14 form part of these financial statements

Accounting policies for the year ended 31 December 2010

The principal accounting policies are summarised below. They have been applied consistently throughout the year.

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

(b) Going concern

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, the financial statements are prepared on a going concern basis.

(c) Related party transactions

As the Company is a wholly owned subsidiary of Bupa, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 Related Party Disclosures (FRS 8) and has therefore not disclosed transactions or balances with entities which form part of the Bupa Group. The consolidated financial statements of Bupa, within which this Company is included, can be obtained from the address given in note 1.

(d) Cash flow statement

Under Financial Reporting Standard 1 Cash Flow Statements (revised 1996) (FRS 1) the Company is exempt from the requirement to prepare a cash flow statement on the grounds it is a wholly owned subsidiary undertaking of Bupa, a company that prepares a consolidated cash flow statement for the Bupa Group.

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

The Company's presentational currency is the Euro, as the majority of its transactions are in Euros.

Accounting policies (continued)

for the year ended 31 December 2010

(f) Investment income

Investment income is recognised on an accruals basis

(g) Investments

Investments in subsidiary undertakings are stated at cost less provision for any permanent diminution in value

(h) Interest bearing borrowings

Immediately after issue, debt is stated at 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

(i) Cash and liquid resources

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

(j) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred taxation

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

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated undertakings and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- 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

Notes to the financial statements for the year ended 31 December 2010

1. Immediate and ultimate parent company

The immediate parent undertaking of the Company is Grupo Bupa Sanitas S L , a company incorporated in Spain

The ultimate parent undertaking of the Company, and the largest group into which these financial statements are consolidated, is The British United Provident Association Limited, a company incorporated in England and Wales. The smallest group into which these financial statements are consolidated is that headed by Bupa Finance Plc, a company incorporated in England and Wales

Copies of the accounts of both companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ

2. Staff costs and Directors' remuneration

The Company had no employees during the year and consequently incurred no staff costs during the current or preceding year

The emoluments of the Directors are borne entirely by the other Group companies and are disclosed in the financial statements of those companies

3. Income from investment activities

	2010	2009
	€	€
Interest receivable from Group undertakings	3,668,645	6,360,732
Net foreign exchange gains	28,440	1,302,292
Other interest receivable	-	6
	3,697,085	7,663,030

4. Interest payable and similar charges

	2010	2009
	€	€
Interest payable to Group undertakings	811,897	703,999

5. Auditor's remuneration

	2010	2009
	€	€
Fees payable to the Company's auditors for the audit of the Company's annual accounts	2,330	1,128

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, disclose non-audit fees on a consolidated basis

Notes to the financial statements (continued)

for the year ended 31 December 2010

6. Tax on profit on ordinary activities

(i) Analysis of tax charge in the year

	2010 €	2009 €
Current tax		
UK corporation tax on profit for the year	799,889	1,583,887

(ii) Factors affecting the tax charge

The differences between the total current tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2010 €	2009 €
Profit on ordinary activities before taxation	2,885,188	6,959,031
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 28%)	807,853	1,948,529
Effects of Non taxable income	(7,964)	(364,642)
Total current tax charge for year	799,889	1,583,887

7. Investments

	1 January 2010 €	Additions €	Disposals/ Repayments €	31 December 2010 €
Loans to Group companies	198,276,244	3,668,644	-	201,944,888

8. Debtors

	2010 €	2009 €
Amounts falling due within one year.		
Other debtors including taxation and social security	-	729,284

9. Creditors – amounts falling due within one year

	2010 €	2009 €
Amounts owed to Group undertakings	42,165	2,313,171

10. Creditors – amounts falling due after more than one year

	2010 €	2009 €
Amounts owed to Group undertakings	40,123,980	36,998,913

Notes to the financial statements (continued)

for the year ended 31 December 2010

11. Called up share capital

	2010	2009
	€	€
Allotted, called up and fully paid		
7,275,764,916 ordinary shares of EUR0.01 each	72,757,649	72,757,649

12. Reserves

	Profit and loss account 2010 €
At beginning of year	86,936,766
Profit for the year	2,085,299
At end of year	89,022,065

13. Guarantees and other financial commitments

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

14. Subsequent events

There were no subsequent events