BUPA FINANCE PLC
(Company No. 2779134)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Bupa Finance plc
Registered number: 2779134

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Directors and Officers

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KPMG LLP

Strategic Report
for the year ended 31 December 2020

Strategic Report

The Directors present their Strategic Report for the year ended 31 December 2020 for Bupa Finance plc (the 'Company') and its subsidiary companies (together, the 'Group'). The immediate and ultimate parent of the Company is The British United Provident Association Limited (the 'Parent' or 'Bupa' and together with its subsidiaries, the 'Bupa Group').

Principal activities
The Company is a part of the Bupa Group, which is a leading international healthcare group. The principal activity of the Company is the provision of financing and treasury management of Bupa's businesses, which are managed in three Market Units; Australia and New Zealand, Europe and Latin America and Bupa Global and UK.

Who we are and what we do

About Bupa
Bupa's purpose is helping people live longer, healthier, happier lives.

Bupa is an international healthcare company serving over 31 million customers worldwide. With no shareholders, our customers are our focus. We reinvest profits into providing more and better healthcare for the benefit of current and future customers.

Health insurance accounts for 17.9m customers and contributes 72% of our revenue. In health provision, we operate clinics, dental centres and hospitals in some markets serving another 13.6m customers. We also care for around 20,000 residents in our aged care businesses in the UK, Australia, New Zealand and Spain.

We directly employ around 84,000 people, principally in the UK, Australia, Spain, Chile, Poland, New Zealand, Hong Kong SAR, Turkey, Brazil, Mexico, the US, Middle East and Ireland. We also have associate businesses in Saudi Arabia and India.

Business model

Our businesses	What we do
Health insurance • 72% of revenue • 17.9m Insurance customers worldwide	• Our main business is health insurance for individual and corporate customers, and small and medium-sized enterprises (SMEs). • We have a strong domestic health insurance presence via our businesses in the UK, Australia, Spain, Chile, Hong Kong SAR, Turkey, Brazil and Mexico and our associate businesses in Saudi Arabia and India. • We offer additional health funding products, such as subscriptions and cash plans. • We deliver third-party administration services in selected markets. • We also offer international private medical insurance (IPMI) through our Bupa Global businesses, for international customers wanting access to quality healthcare, wherever and whenever they need it. • We provide dental insurance in Australia, the UK, Spain, Chile, Poland, Hong Kong SAR, Brazil and through Bupa Global.
Health provision • 20% of revenue • 385 health clinics • 13.6m provision customers worldwide • 1,000 dental centres	• Health clinics: Services include health assessments, GP services, fertility services, and physiotherapy. We also have outpatient and speciality clinics. • Digital provision: We offer digital provision services including digital GP services, care triage and consultation, mental health coaching and support, and chronic care management. • Hospitals: We run hospitals in Spain, Chile and Poland and one in the UK. • Dental: We have a wide network of around 1,000 dental centres across the UK, Spain, Chile, Poland, Hong Kong SAR, Brazil and through Bupa Global.
Aged care • 8% of revenue • 20,000 Residents in our care homes	• Our aged care portfolio comprises care homes, retirement villages, day centres and homecare. • Aged care services in Australia, New Zealand, the UK and Spain.
Who we create value for	
Customers	Read more about our Customers in the Bupa Annual Report 2020.
People	Read more about our People in the Bupa Annual Report 2020.
Partners	Read more about our partners in 'Engaging with Stakeholders' on page 12.
Society	Read more about our Environmental, Social and Governance agenda in the Bupa Annual Report 2020.

Strategic Report
for the year ended 31 December 2020

Financial Headlines

- Revenue[1] of £12.1bn is flat at constant exchange rates (CER).
- Underlying profit[2] before taxation of £480m, was down 6% at CER (2019: £513m), with the performance of the insurance businesses partially offset by the challenging conditions in our health provision and aged care businesses.
- Statutory profit before taxation of £502m, was up £467m at AER (2019: £35m), primarily due to goodwill impairments made in 2019 not recurring.
- The Bupa Group's Solvency II capital coverage ratio[3] remains strong at 160% (2019: 159%).

Business context

- Full Year 2020 results reflect our financial resilience and the benefits of our diversified business despite volatile trading conditions caused by the COVID-19 pandemic.
- Throughout the pandemic, our priority is to focus on the welfare of our customers and our people, and to play our part in government and public health responses.
- For health insurance, our largest business line, we undertook a range of actions to support our customers and deliver value. Underlying profit primarily increased due to the reduced levels of claims as lockdown measures restricted access to private healthcare and postponed elective procedures. As restrictions had largely been lifted by the end of the year it is anticipated that claims will rebound in 2021, however, the timing and quantification will vary by market.

Financial position

- The Bupa Group's Solvency II capital coverage ratio of 160% (2019: 159%).
- Leverage is 33.6% (2019: 34.5%) when accounting for IFRS 16 lease liabilities. Excluding these liabilities, the leverage ratio is 26.3% (2019: 26.6%).
- Net cash generated from operating activities was £1,478m, up £616m on prior year (2019: £862m) reflecting the delay in claims outflows in the insurance businesses.
- In March 2020, Fitch downgraded the Company's Long-Term Issuer Default Rating (LT IDR) to 'A-' from 'A', and senior and unguaranteed subordinated bonds to BBB+ and BBB- respectively. In April, Moody's affirmed our senior and subordinated debt ratings, while changing our outlook from stable to negative.

Our response to COVID-19

- COVID-19 has been a human tragedy and very sadly, lives were lost among our residents, customers, patients and employees as the pandemic impacted countries at different stages during 2020.
- Throughout the pandemic our priority has been to focus on the welfare of our customers, and our people, and to play our part in national health efforts. We invested to protect and support our customers and our people, ensure operational resilience, and to deliver new and innovative services.
- **In insurance,** we accelerated digital programmes to make sure customers could continue to access treatment and care:
    - In Australia, we increased telehealth and mental health support services, developing new ways for customers to access treatment remotely.
    - In Spain, we launched BluaU, the second generation of our Blua digital proposition. We increased our digital customers by 24% year on year and delivered over 640,000 video consultations, 15 times higher than 2019.
    - In the UK, we enhanced services to provide remote, direct access to GPs, physiotherapists and nurses, and consultants via video or phone. Use of our Digital GP service increased to around 5,000 appointments per week.
- In addition to the UK PMI return of premium, we undertook targeted actions across our markets to support our insurance customers. Actions varied on the basis of local market context and product set and included removing pandemic exclusions for COVID-19; reviewing excess clauses, delaying approved premium increases in Australia and Chile; providing free access to virtual consultations in Spain through Blua; and supporting customers experiencing financial hardship.
- **In health provision,** our hospitals and clinics in Spain, Chile, Hong Kong, Poland and the UK worked in partnership with public health systems. Lockdowns led to temporary closures of clinics and dental practices in some markets. We adapted services in line with local requirements and expanded virtual health services. Our dental businesses increased virtual services to continue giving consultations and provide advice. When lockdowns eased, we were able to resume face-to-face services with new safety measures in place to protect customers and our people.
- **In aged care**, protecting residents and staff remains our absolute focus, with comprehensive safety measures introduced and investment in safety equipment, staff training and support. Our teams have been supporting and caring for our residents and worked hard to maintain their connections with families and loved ones using technology.
- Keeping **our people** safe and taking care of their mental health were key priorities. We expanded services such as 24/7 helplines, access to psychological services, virtual sessions to build resilience and mindfulness, and direct support such as counselling. We enabled our colleagues on the frontline to continue to work safely by implementing enhanced cleaning regimes in facilities, providing Protective Personal Equipment (PPE) and training on specialist equipment. We facilitated remote working wherever possible through technology.
- We established a global **Healthy Communities Fund** to support local charities. This has a particular focus on supporting those affected by the pandemic, and mental health and resilience in schools.
- We continued to support the work of the **Bupa Foundations** in Australia, the UK and Spain, and encourage our people to contribute time and skills to the communities in which we operate.

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[1] Revenues from associate businesses are excluded from reported figures. Customer numbers and economic share of post-tax profits from our associate businesses are included.
[2] Underlying profit is a non-GAAP financial measure. This means it is not comparable to other companies. Underlying profit reflects our trading performance and excludes a number of items included in statutory profit before taxation, to facilitate year-on-year comparison. These items include impairment of intangible assets and goodwill arising on business combinations, as well as market movements such as gains or losses on foreign exchange, on return-seeking assets, on property revaluations and other material items not considered part of trading performance. A reconciliation to statutory profit before taxation can be found in note 2.
[3] The 2020 Solvency II capital coverage ratio is an estimate and unaudited.

Note on insurance reserving

- In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. Although health insurance industry practice is to account for claims when a medical service is delivered, this restriction on supply at half year gave rise to a constructive obligation for us to ensure claims were honoured, even if the treatment were to postdate a customer's contract period. This led us to hold reserves for deferred claims at half year.
- As at year end, however, these restrictions have largely been removed and claims volumes are rebounding and no such obligation to provide beyond contractual terms exists (except for Australia, as described below). The quantum and timing of this ongoing rebound in claims gives some uncertainty as we head into 2021, and the ultimate impact will vary by geography, policy coverage terms and broader circumstances.
- This uncertainty is largely mitigated in Australia, where the prudential regulator requires all health insurers to hold an additional reserve for deferred claims, creating an obligation beyond normal contractual liabilities, for which we are carrying a provision of £171m representing the best estimate of the rebound together with a risk margin.
- Further, in the UK PMI business, we are holding a provision of £145m for our UK return of premium commitment.

Other highlights

- We increased our shareholding in Bupa Arabia by 4% to 43.25%.
- We enhanced our liquidity and debt maturity profiles through two bond issues together raising £650m. We redeemed £330m of bonds issued in 2004.
- We strengthened our internal ESG governance, embedded a new emissions reporting tool and progressed the development of a new Environment and Climate Action plan.
- We strengthened our approach to inclusion and diversity.
- Our MSCI ESG rating was upgraded to 'A' in December 2020.

Outlook

We are in the early stages of vaccine deployment in many of our markets but the pace will vary, and it is clear COVID-19 will continue to impact economies, health systems and our business lines over the medium term. These impacts will vary by country. The quantum and timing of deferred health insurance claims in some markets is also uncertain. We will continue to adapt and innovate to meet the demands of this new environment, continuing to play our part in helping customers, our people and society.

The pandemic has accelerated opportunities in our markets. Customers are increasingly focussed on their health and wellbeing, and both customers and clinicians are more willing to use telehealth services – presenting opportunities for healthcare companies who can adapt to these trends.

We are well-placed to address these challenges and opportunities with underlying financial strength, a resilient organisation and a diversified business model. We are developing our new strategy with a focus on excellence for customers, innovation, transformation and sustainability. I am confident we will end the year with increased momentum in all these areas.

MARKET UNIT PERFORMANCE

Australia and New Zealand

	Revenue	Underlying profit
2020	£4,737m	£137m
2019 (AER)	£4,652m	£185m
% growth/(decline)	2%	(26%)
2019 (CER)	£4,589m	£182m
% growth/(decline)	3%	(25%)

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2020	3.9	1.4	9,300

Performance

Revenue increased by 3% to £4,737m at CER. Underlying profit was £137m, a decrease of 25% at CER driven by losses in Australian Aged Care, as well as declines in Australian Health Insurance and New Zealand Aged Care.

At the start of 2020, many parts of Australia experienced severe bushfires. Three care homes in regions under threat were temporarily evacuated and we provided a disaster relief package for affected customers and communities. The impact of COVID-19 was significant, affecting our care homes, retail stores, dental, optical and medical clinics and workplaces, particularly in Victoria, which was under strict restrictions for several months.

In Australian Health Insurance, revenue was down due to the actions we took to support customers as a result of COVID-19. We delayed the approved premium rate increase for all customers for six months and launched a £20m financial hardship scheme in the form of premium waivers, discounts and suspensions. This was accessed by close to 50,000 customers. Membership volumes were down by 1% due to restrictions on movements and retail store openings. Incurred claims were lower due to lockdown restrictions on health providers and the suspension of non-urgent elective surgery. The combined operating ratio[4] (COR) was 95[5]% (2019: 94%). We maintained our position as a leading health insurer, with 25%[6] market share. In response to the pandemic, we were the first health insurer in the Australian market to fund claims for services delivered via telehealth. We also introduced new mental health support, innovative diabetes management options and a new physiotherapy treatment service supported by virtual reality. We continue to invest in meeting our customers' evolving needs and advocate for reforms to enhance the delivery and affordability of healthcare in Australia.

Health Services in Australia delivered revenue growth with the inclusion of a full year of the Australian Defence Force (ADF) contract, which started in 2019. While revenue in Dental and Optical improved, both businesses were adversely impacted by pandemic restrictions. We received Government COVID-19 JobKeeper financial support for eligible employees in our Dental and Optical businesses. This enabled us to retain jobs and be able to meet community needs for services as lockdown restrictions eased. Revenue for Medical Visa Services finished largely in line with the prior year. We supported the ADF throughout 2020 including commencing hearing assessments for personnel and acquiring two optical stores to enhance accessibility. We expanded our dental portfolio with two new brands – *Clearly Dental* and *Mint*d*, a hygiene-led model targeted at millennials.

Revenue in Australian Aged Care remained flat and the closing occupancy rate was 85% (2019: 83%). An underlying loss resulted largely from increased staff and operating costs, including costs of PPE. We introduced restrictions on resident admissions in line with guidance from local authorities to protect residents and our people. From July, care homes in Victoria were affected during the second wave of COVID-19, where we implemented precautionary measures and strict infection control protocols. By October, all our homes were clear of outbreaks and open again to visitors. Throughout 2020, we made significant improvements in our operating model and addressed previous compliance issues. Our last homes came off regulatory sanction in May. We continue to engage with the Royal Commission into Aged Care Quality and Safety, which has just published its final report. As part of our portfolio optimisation programme, we sold three and closed one of our homes in December, and announced the closure of four more homes in January 2021.

In New Zealand Aged Care, revenue improved with the closing care home occupancy rate increasing to 91% (2019: 89%). Village unit sales also improved increasing to 260 units (2019: 226 units). Underlying profit decreased due to higher staffing, COVID-19 related costs and lower Investment Property valuation uplift. In November, we announced an agreement to divest our rehabilitation business, which will complete in 2021, subject to regulatory approvals.

Europe and Latin America

	Revenue	Underlying profit
2020	£3,765m	£207m
2019 (AER)	£3,853m	£178m
% growth/(decline) (AER)	(2)%	16%
2019 (CER)	£3,656m	£177m
% growth/(decline) (CER)	3%	17%

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2020	3.9	9.0	4,800

Performance

Revenue grew by 3% and underlying profit grew by 17% at CER mainly driven by our insurance businesses, partially offset by the performance in our provision and aged care businesses.

Our health insurance business in Spain, Sanitas Seguros, delivered solid revenue growth, partly driven by increased customer numbers (an additional 33,000). Underlying profit grew because of higher revenues together with lower claims. This was partly driven by lockdowns reducing the availability of health provision. The COR improved to 84%[7] (2019: 89%). We significantly enhanced our digital offer so that customers could continue to access advice and care from home. We launched BluaU, the second generation of our digital proposition, with new functionality. The number of our customers who accessed services digitally increased by 24% year on year. We expanded our network of doctors to 3,100 covering 37 specialities. The number of virtual consultations delivered was over 640,000, 15 times higher than 2019. Our bancassurance partnerships continued to develop. We now have over 300,000 customers with BBVA. In September, we signed a partnership with Banco Sabadell which reached 8,500 customers by the end of the year. As part of our response to COVID-19, we waived the pandemic exclusion clause in policies and introduced new coverage for the antigen test. We also provided premium relief to those in financial hardship.

[4] Combined Operating Ratio is an alternative performance metric for insurance businesses. It is calculated based on incurred claims and operating expenses divided by net earned premiums.
[5] Bupa HI Pty Ltd (Australia): based on S.05.01 Prudential Regulation Authority (SII) form (estimated and unaudited).
[6] Australian Prudential Regulation Authority (APRA), Operations of private health insurers annual report (June 2020). Market share based on policy holders was 25.4% as at 30 June 2020.
[7] Sanitas S.A de Seguros (Spain): Prepared under local GAAP (unaudited).

In our Dental business in Spain, performance was impacted by the temporary closure of the majority of our centres due to restrictions. Activity recovered quickly with new operating protocols to ensure the safety of our patients and people. We launched a dental video consultation service and opened nine new dental centres during 2020, closing the year with a total of 200.

In our Hospitals and New Services business in Spain, revenue declined during the lockdown period. We made an underlying loss mainly as a result of the temporary suspension of elective treatments. We contributed to the national response, doubling ICU bed capacity by creating two field hospitals in Madrid, attached to our La Moraleja and La Zarzuela hospitals. These hospitals supported both the public and private health systems. We developed Salud Conectada, a service linked to our BluaU insurance offer that allows the remote monitoring of patients by wearables. During the year, we treated around 29,000 patients with COVID-19 in our facilities. In September, we opened a COVID-19 testing laboratory which tested over 200,000 people by the end of 2020.

Our aged care business in Spain, Sanitas Mayores, had a year-on-year decline in revenue and made an underlying loss due to reduced occupancy levels as we regrettably experienced an increase in deaths from COVID-19 among our residents. Occupancy was further affected by admission restrictions to protect residents and our people. Our closing occupancy rate was 76% (2019: 96%). We took steps to reduce the spread of infection and worked closely with the public health system. We launched a new insurance product for our aged care residents, provided by Sanitas Seguros, to increase access to video consultations and medical tests and provide 24/7 access to medical professionals.

In Chile, revenue declined, and we made an underlying loss in our hospitals and clinics businesses because of reduced activity due to the pandemic. We worked closely with the government and health authorities to provide additional capacity to the national system. Our insurance business saw steady increases in revenue and good profit performance, reflecting lower claims during the pandemic. To alleviate pressure on customers we also delayed the approved premium increase until 2021. We invested in telehealth and digital products and launched the MiBupa app, connecting insurance patients to our hospitals and clinics.

In Poland, LuxMed delivered good revenue growth, driven by the corporate medical subscription business which offset the impact of restrictions on our clinical centres. Underlying profit growth was also robust. We continued to enhance and expand telehealth and digital health services. We expanded our portfolio of clinics and acquired a hospital in Warsaw. As part of our response to the pandemic, we made this hospital available to the public system to treat COVID-19 patients.

In Turkey, our health insurance business Bupa Acıbadem Sigorta, delivered increased revenue and improved underlying profit. Our portfolio grew by 7% year on year to around 653,000 customers driven by new contract wins, an enhanced digitalised offer and COVID-19 coverage.

We made progress implementing the restructure of Bupa Global Latin America (BGLA) into three business units: Care Plus in Brazil, Bupa Mexico and a new BGLA with insurance operations across Guatemala, Panama, Dominican Republic, Colombia, Ecuador and Bolivia. Care Plus delivered strong performance and increased its digital services portfolio. Bupa Mexico made good progress in developing products for the domestic market and announced the acquisition of Vitamedica, a third-party administrator. This transaction completed in January 2021. The new BGLA business grew in customer numbers in domestic markets.

Bupa Global and UK

	Revenue	Underlying profit
2020	£3,122m	£122m
2019 (AER)	£3,323m	£131m
% growth/(decline) (AER)	(6)%	(7)%
2019 (CER)	£3,322m	£131m
% growth/(decline) (CER)	(6)%	(7)%

	Health insurance customers (m)	Healthcare provision customers (m)	Aged care residents
2020	2.7	2.3	6,000

Performance

Revenue was down by 6%, with underlying profit down 7% at CER. This mainly reflected the impact of COVID-19 on our health provision businesses and our UK return of premium commitment.

UK Insurance revenue on an underlying basis was up, driven by growth in customer numbers towards the end of 2019 and early 2020. Although underlying profit was higher in 2020 as a result of lower claims because of disruption to treatments, we expect a proportion of these claims to rebound during 2021. Any exceptional financial benefit ultimately arising from our UK PMI business will be passed back to customers. We responded quickly to the pandemic to support our customers with their physical and mental health. We enhanced services to provide remote, direct access to GPs, physiotherapists and nurses, and consultants via video or phone. Use of our Digital GP service has doubled since April with around 5,000 appointments per week. We launched new remote services for fast detection of skin cancers and heart problems, expanded our chemotherapy at home service and introduced virtual oral assessments for dental insurance customers. To help customers manage their policies online, we started rolling out our Bupa Touch digital platform to corporates, with over 100,000 registrations in total. Our agreement with CS

Healthcare, a friendly society, completed in January 2021 and its 17,500 health insurance members and business transferred to Bupa.

In Bupa Global, our International Private Medical Insurance (IPMI) business, revenue was stable while underlying profit grew, reflecting favourable claims performance. During the pandemic we saw a significant increase in customers using our Global Virtual Care app which provides remote access to a global network of doctors. Our enhanced mobile app, alongside our digital web services, enabled more customers to manage claims and policies online. This resulted in over 65% of our customers interacting with us through digital channels in 2020. We provided full cover for COVID-19 care, giving reassurance of access to healthcare and support to our globally mobile customers.

The COR for Bupa Insurance Limited, the UK-based insurance entity that underwrites both domestic and international insurance, improved to 92%[8] due to favourable claims performance in both our PMI and IPMI businesses (2019: 95%). Whilst a provision is held at the year end for our UK return of premium commitment, we expect a portion of the claims deferred during 2020 to rebound in 2021 which will have an adverse impact on the 2021 COR.

In UK Dental, revenue reduced and we incurred an underlying loss due to the temporary closure of practices for routine care. We invested in adapting operating and safety procedures to keep our people and customers safe and reduce the downtime required between patients due to new infection control requirements. We partnered with the NHS to offer telephone advice to patients, prescribe medicines and provide emergency face-to-face care, including through 11 urgent dental centres. We are continuing to address recruitment challenges by attracting more clinicians into corporate dentistry and positioning Bupa as a dental employer of choice, while also focusing on overcoming potential barriers for overseas recruitment.

Revenue in UK Care Services was down and the business made an underlying loss due to the impact of COVID-19. Our closing occupancy rate at December 2020 was down to 82% (2019: 87%). This was due both to reduced resident admissions and the sad loss of a number of our residents with COVID-19. Occupancy started to recover but was impacted by the second wave of the pandemic. Property sales were also down in Richmond Villages, where viewings were impacted by lockdown. The safety of our residents and people remains the key priority. We invested considerably in PPE, introduced whole home testing and followed government guidance to reduce infection and prepare for the winter flu season. We increased video technology to keep residents connected with loved ones when there were visitor restrictions.

Performance in our Health Services business was down, reflecting the temporary closure of clinics. We expanded virtual appointments for musculoskeletal conditions and GP services and launched the new Be.Well range of health assessments with added mental health support. We continued to develop our COVID-19 testing services. At the Cromwell Hospital, we opened a radiotherapy unit in partnership with Genesis Healthcare, and a new intensive care unit. The hospital worked in partnership with NHS England throughout the first wave of pandemic, providing time critical cancer and cardiac care for NHS patients.

In January, we launched our new mental health brand campaign 'Is It Normal?' focusing on tackling the stigma surrounding mental health and raising awareness of the support available via our online Mental Health Hub. The campaign ran again in September.

Other businesses

	Revenue	Underlying profit
2020	£494m	£63m
2019 (AER)	£488m	£49m
% growth/(decline) (AER)	1%	29%
2019 (CER)	£491m	£49m
% growth/(decline) (CER)	1%	29%

	Health insurance customers (m)	Healthcare provision customers (m)
2020	7.4	1.0

Performance

Revenue in our Hong Kong business was flat at CER, with the impact of reduced activity in our clinics due to the pandemic offset by improved performance in insurance. Underlying profit in other businesses was up 29% to £63m. This was partly as a result of: lower claims in Hong Kong Insurance; and favourable performance in our associate businesses Bupa Arabia (with results up to Q3 2020 reported to the Saudi Stock Exchange or Tadawul) and Max Bupa in India. In August, Bupa further increased its stake in Bupa Arabia by 4% to 43.25%.

[8] Bupa Insurance Limited: Prepared under local GAAP. Excludes our Irish insurer and our associate, Highway to Health (GeoBlue).

Strategic Report
for the year ended 31 December 2020

FINANCIAL REVIEW

Overview

Group revenue was £12.1bn, in line with prior year (2019: £12.1bn at CER), and underlying profit was £480m, down 6% (2019: £513m at CER). The Group's underlying results reflect volatile trading conditions caused by the COVID-19 pandemic. Despite this, the diversified nature of our operating businesses resulted in an underlying profit that was only marginally reduced on prior year.

Our statutory profit before taxation was £502m, up £467m compared to a statutory profit of £35m (at AER) in 2019, as a result of non-recurring goodwill impairments in 2019. Despite the pandemic, our investment in technology capabilities continued although at a slightly lower level than the prior year.

Bupa generated cash from operating activities of £1,478m, up £616m, largely reflecting the delay in claims outflows in the insurance businesses.

The Group's Solvency II capital coverage ratio of 160% at 31 December 2020 remained strong and comfortably within our target working range of 140-170%. This is regarded as the range within which we would expect to operate in normal circumstances.

In June, the Company issued two tranches of debt: £300m 1.750% fixed rate senior notes due 2027, and £350m 4.125% fixed rate, Tier 2 subordinated notes due 2035. These bonds improve our liquidity and debt maturity profiles. In September, the £330m restricted Tier 1 bond was repaid on its call date.

Revenue (CER)

Revenue was broadly flat as a result of growth in our Australia and New Zealand and Europe and Latin America Market Units, offset by a decline in Bupa Global and UK.

By business lines, revenue in our health insurance businesses stayed broadly flat. Our insurance portfolio in ELA grew but this was offset by COVID-19 impacts and by the targeted actions we took across our markets worldwide to support our insurance customers. These included removing pandemic exclusions for COVID-19, delaying approved premium increases, our UK return of premium commitment, and supporting those experiencing financial hardship.

Our health provision businesses saw revenue growth of 3% with the full year contribution of the ADF contract in Australia, which came into effect from 1 July 2019, offset by COVID-19 impacts as many of our facilities were temporarily closed due to government-imposed restrictions.

In our aged care businesses, revenue was down 3% on 2019. Occupancy rates were significantly reduced as a result of local restrictions on new resident admissions into homes. Tragically, we also lost a number of our residents to COVID-19 in Spain, UK and Australia.

Underlying profit (CER)

Group underlying profit declined by 6% to £480m (2019: £513m at CER). Overall, the Group's insurance profits have increased, however this was more than offset by losses in provision and aged care reflecting the significant disruption to services from lockdowns, government restrictions and additional costs from COVID-19.

For our largest line of business, health insurance, underlying profit increased due to the reduced levels of claims as countries applied lockdown measures that restricted availability of private healthcare and postponed elective procedures particularly in the early stages of the pandemic. At half year, this restriction on supply led us to hold deferred claims reserves where we had a constructive obligation to service claims deferred until after the reporting date, which could postdate the customer's contract period. During the second half, private healthcare generally returned to full capacity in all our markets and customers have since been able to access treatment, and no such obligation remains. Although claims have rebounded, it is clear that the ongoing impact of the pandemic means some claims volumes postponed from 2020 may rebound beyond the year end. For Australian Health Insurance local regulation have required us to hold a reserve of £171m reflecting the best estimate of the likely rebound. In addition to this reserve, the impact of reduced claims across the businesses has been offset by delayed premium rises in Australian Health Insurance and Chile, and hardship discounts in Australia and the UK. As noted, we are also holding a premium reserve to satisfy our UK return of premium commitment.

We incurred an underlying loss in our health provision businesses. Across our markets, there were temporary closures at several points throughout the year, with a variety of government restrictions, such as mandated time gaps between dental appointments, and higher PPE costs. Many of these restrictions were eased in the second half of 2020 but have continued in some form into 2021.

We experienced an underlying loss in aged care due to a decline in occupancy and higher costs, particularly agency staffing and PPE costs which increased as a result of the pandemic. Occupancy rates were at their lowest in May and June, as the pandemic affected our four aged care markets with strict restrictions on new admissions. Since then, as restrictions to admissions have been lifted, occupancy rates have increased, particularly in ANZ. At the end of December 2020, the number of residents across the four countries in which we operate aged care businesses was down around 2,000 or 9% on 2019.

The Group's central expenses and net interest margin of £49m were £23m higher (2019: £26m at CER) as comparatively lower interest rates adversely impacted investment returns. This was partly offset by savings arising from simplifying our organisation structure in 2019 to remove the International Markets Market Unit, thus lowering central costs.

Statutory Profit (AER)

The Group's statutory profit before taxation was £502m compared to £35m in 2019, largely as a result of non-recurring goodwill impairments in 2019 of £443m.

In 2020, non-underlying items totaled £22m profit, compared with £490m loss in 2019. The key items in 2020 were property revaluation gains in our ANZ care homes, lower foreign exchange losses compared to 2019, and lower losses on disposals of businesses and transaction costs on business combinations. This was partly offset by lower gains in our return seeking assets as credit spreads widened following the onset of COVID-19, in contrast to gains made on these assets in 2019.

	2020 £m	2019 £m
Australia and New Zealand at CER	137	182
Europe and Latin America at CER	207	177
Bupa Global and UK at CER	122	131
Other businesses at CER	63	49
Underlying profit for reportable segments at CER	**529**	**539**
Central expenses and net interest margin at CER	(49)	(26)
Consolidated underlying profit before taxation at CER	**480**	**525**
FX re-translation on 2018 results (CER/AER)	-	12
Consolidated underlying profit before taxation at AER	**480**	**525**
Impairment of intangible assets and goodwill arising on business combinations	(12)	(443)
Net loss on disposal of businesses and transaction costs on business combinations	(1)	(29)
Net property revaluation gains	26	6
Realised and unrealised foreign exchange losses	(2)	(23)
Other Market Unit non-underlying items	(7)	-
Group non-underlying items	3	(29)
Gains on return-seeking-assets, net of hedging	15	28
Total non-underlying items	**22**	**(490)**
Statutory profit before taxation at AER	**502**	**35**

Taxation

The Group's effective tax rate for the period was 23% (2019: 440%), which is higher than the current UK corporation tax rate of 19%. This is mainly due to significant profits arising in overseas locations with a higher statutory tax rate than the UK.

Following an IFRIC clarification published in the year, 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes), the Group's deferred taxation accounting policy has been amended to take into account the multiple consequences of asset recovery, which impacts the accounting for some indefinite lived intangibles in the ANZ segment. The 31 December 2019 consolidated statement of financial position has been restated as a result, with goodwill increasing by £27m and an offsetting increase in deferred tax liabilities.

Cashflow

The Group's net cash generated from operating activities increased by £616m to £1,478m primarily as a result of the lower claims paid due to the disruption of elective healthcare procedures and a one-off tax settlement in 2019 in Australia.

Net cash used in investing activities increased by £518m to £1,039m in 2020 with higher deposits and net investments in financial assets being made in the year as a result of lower claims paid. During the year, we increased our investment in Bupa Arabia by 4% and made a small number of dental and clinic acquisitions. We have continued to invest in IT infrastructure during 2020 albeit at a slower rate than 2019.

Net cash generated from financing activities decreased to £209m, a change of £164m from last year.

Funding

We manage our funding prudently to ensure a strong platform for continued growth. A key element of our funding policy is to target an A-/A3 senior credit rating.

In March 2020, Fitch downgraded the Company's Long-Term Issuer Default Rating (LT IDR) to 'A- 'from 'A', and senior and Tier 2 bonds one notch to BBB+ and BBB- respectively. The outlook on Bupa Finance plc's LT IDR rating is stable. In April Moody's affirmed the senior and subordinated debt ratings of the Company, while changing the outlook from stable to negative. The senior and Tier 2 bond ratings stand at A3 and Baa1.

Following the annual review of Bupa's ESG rating with MSCI in December 2020, Bupa received an upgrade to an A rating in January 2021.

The key development in 2020 was the issuance of both a £300m senior and a £350m Tier 2 bond in June. These transactions enhance both our liquidity and debt maturity profiles.

At 31 December 2020, we had no drawings under our £800m revolving credit facility, which is due to mature in August 2022. The bond proceeds were received in June and were used in part to repay the £330m restricted Tier 1 bond on its call date in September. The balance of the proceeds were used to repay all remaining drawings under the £800m revolving credit facility.

We focus on managing our leverage in line with our credit rating targets. Leverage excluding operating leases at 31 December 2020 was 26.3% (2019: 26.6%). Leverage is 33.6% (2019: 34.5%) when IFRS 16 lease liabilities are taken into account.

Coverage of financial covenants remains well within the levels required in our bank facilities.

Solvency[9]

The Group's solvency coverage ratio of 160% remains strong and comfortably within our target working range of 140-170%.

The Group holds capital to cover its Solvency Capital Requirement (SCR), calculated on a Standard Formula basis, considering all our risks, including those related to non-insurance businesses. As at 31 December 2020, the estimated SCR of £2.5bn was £0.1bn higher and Own Funds of £4.0bn was £0.1bn higher when compared to 31 December 2019.

The Group surplus capital was estimated to be £1.5bn, compared to £1.5bn at 31 December 2019, representing a solvency coverage ratio of 160% (2019: 159%). Our business continued to generate capital through our underlying profitability. This capital generation was largely offset by capital expenditure, debt financing activities and the purchase of an additional 4% shareholding of Bupa Arabia.

The Group performs an analysis of the relative sensitivity of our estimated solvency coverage ratio to changes in market conditions and underwriting performance. Each sensitivity is an independent stress of a single risk and before any management actions. The selected sensitivities do not represent our expectations for future market and business conditions. A movement in values of properties that we own continues to be the most sensitive item, with a 10% decrease having a 15 percentage point reduction to the solvency coverage ratio.

The Bupa Group's capital position is resilient in the face of the individual risks, illustrating the strength of our balance sheet.

Risk Sensitivities	Solvency II coverage ratio
Solvency coverage ratio	160%
Property values -10%	145%
Loss ratio worsening by 2%	153%
Interest rate -100bps	157%
Group Specific Parameter (GSP)[10] +0.2%	159%
Sterling depreciates by 10%	159%
Credit spreads +100bps (no credit transition)	159%
Pension risk +10%	160%
Equity markets -20%	160%

[9] The Solvency II capital position, SCR and coverage ratio represents the Parent, The British United Provident Association Limited. 2020 figures are estimates and unaudited.
[10] Group Specific Parameter (GSP) is substituted for the insurance premium risk parameter in the standard formula, reflecting the Group's own loss experience.

Strategic Report
for the year ended 31 December 2020

Section 172(1) statement

Engaging with our stakeholders
The Board has a duty to promote the success of the Company for the benefit of its members as a whole having regard to the interests of our customers, our people, our relationship with our suppliers and the impact of our operations on the communities in which we operate, and to ensure that we maintain a reputation for high standards of business conduct.

Our key stakeholders are our parent company (Bupa), our customers and our people. Our bondholders, regulators, suppliers, partners and the communities we operate in are also important stakeholder groups. All key Board decisions take into account the impact on relevant stakeholders. Increasingly, stakeholders are looking to understand our performance across multiple areas from financial performance to products and services, innovation, governance, workplace practices and corporate citizenship. The Board endeavours to gain an understanding of the perceptions and attitudes of each stakeholder group and the weight they give to different issues. Where the views of different stakeholder groups do not align, the Board must decide on the best course of action to promote the Company's long-term success.

The COVID-19 pandemic required us to adapt our approach to engaging with our stakeholders to reflect their changing needs and expectations in light of the pandemic as a result of lockdown restrictions and different ways of working.

Customers
We are focused on serving our customers and champion quality, medically-evidenced treatment and care, creating shared value. We seek to deliver value for money, provide exceptional care, keep our customers' data safe and help customers navigate the complex world of healthcare.

Key issues for customers include:
- affordability of health insurance
- high-quality products with broad coverage and high standards of care
- simpler and quicker access to services, such as through digital applications.

People
As a service organisation, our people are key to our business. We want our people to feel engaged and empowered to deliver great outcomes for our customers and be healthier and happier themselves. We operate several lines of business in numerous markets and the issues important to our people vary by market and business. Our approach is therefore led locally with all teams planning actions in the light of regular people surveys, and local boards and management teams engaging with their people on the issues important to them.

A twice-yearly global employee survey programme (People Pulse) is run across the Group which assesses engagement across the Group. The scope of the global survey undertaken in the first half of the year was adjusted to take account of the pressures across our businesses from the pandemic. Instead, at the start of the pandemic, we conducted localised surveys across many countries.

Regulators
The Group operates in highly regulated environments across all its business areas. Regulators ultimately aim to make sure that we have the financial resources and risk management frameworks necessary to protect customers and ensure that they receive high levels of care and are treated fairly. This clearly aligns with our strategy to put our customers front and centre. Our regulators expect us to:
- maintain sufficient capital to back our insurance business
- have robust and effective processes and controls in place to mitigate risks to protect our customers
- provide high-quality, clinically robust services
- ensure that we operate in a sustainable way.

Bupa has a regular programme of interaction with the Bupa Group's lead insurance regulator, the Prudential Regulation Authority (PRA), and engages with them on key decisions.

Investors
The Company has listed debt securities in issue and is therefore required to operate in accordance with the relevant UK Listing Rules and Disclosure Guidance and Transparency Rules. Briefing calls are held for bondholders to discuss the full year and half year results. This provides an opportunity for them to question management on the financial performance and strategy of the Group. We hold roadshows for bondholders annually, and other significant developments are communicated via regulatory announcements, press releases and published on the Bupa website: bupa.com. Investors are interested in the Group's financial performance and strength and also in our wider ESG and Sustainability activities.

Communities and the Environment
We play our part in society, helping to build healthier and more resilient communities and having a positive impact on the environment. We have dedicated Foundations in Australia, Spain and the UK to channel some of our investment.

Our ESG and Sustainability strategy includes workstreams focussing on Community and the Environment and Climate Action. As part of our focus on the Community, Bupa established a Healthy Communities Fund, which is being directed towards mitigating the impact of COVID-19 for those hardest hit, with a particular focus on mental health and wellbeing in schools.

We continue to evaluate the business risks and consequences of climate change, closely managing our environmental impact, embedding a strategy for reducing our environmental footprint and assessing how Bupa can contribute in areas outside of our direct control.

Suppliers and partners
Our suppliers and partners are critical to delivering a high-quality service to our customers and include hospitals, medical consultants and other healthcare professionals, systems suppliers and suppliers of products to our hospitals, clinics, dental centres and care homes. We aim to treat our suppliers fairly, holding ourselves to high standards of business conduct. We work with our suppliers to ensure that they have effective controls in place to protect our customers' health and safety and the security and privacy of their data.

Board decisions and their impact on stakeholders
The table below sets out a number of decisions taken by the Board during the year and how stakeholder views were taken into account.

Decision	How we took stakeholders into account	Long-term implications
Bond issuances and redemptions	**Customers, Regulators and Bondholders:** The Board is responsible for promoting Bupa's long-term sustainable success and ensuring that the necessary resources are in place to meet its objectives. The Board approved the issuance of two tranches of debt, with part of the proceeds used to redeem the previously issued restricted Tier 1 bond on its call date in September 2020. Maintaining a strong capital base and access to liquidity means that the Group has the resources now and in future to be able to maintain and improve its offer to customers. The pandemic heightened financial services regulators' concerns that all insurance companies should be adequately resourced to protect the companies concerned and so the interests of their customers. The bond issuance enabled Bupa to demonstrate that it would continue to hold sufficient capital reserves and could continue to comply with the relevant capital adequacy regulations. Companies that can demonstrate financial stability attract and maintain support from a stable bond investor base and can secure more efficient capital-raising terms. The bond transactions attracted strong demand from bond investors, with the combined bond offer being twice oversubscribed.	The issuance of these bonds and the redemption of the previously issued restricted Tier 1 bond enabled us to continue to: • enhance our strong liquidity and extend our debt maturity profile; • maintain our good standing in the bond market by meeting investors' expectations through redeeming our Tier 1 bond on the first call date; and • improve our offer to our customers and to generate sustainable long-term growth.
Dividends	**Customers and Shareholder:** The Board approved two interim dividend payments during the year. The Board consider the expected level of funding required by its subsidiaries to achieve the Bupa Group's strategy and the financial strength of the Company prior to approving and authorising payment of the interim dividends. Surplus funds which are not distributed to the shareholder are reinvested back into the business to help achieve the Group's purpose and strategy.	Prudent financial management supports the long term success of the Company and its shareholder, Bupa, and motivates management to deliver strong and sustainable business performance aligned with Bupa's purpose: helping people live longer, healthier, happier lives.
Treasury management	**Customers, People, Shareholder and Suppliers:** The Board took treasury management decisions during the year to ensure the Company and the Bupa Group met their financial obligations. Stable performance and liquidity provides reassurance to suppliers that they will be paid on a timely basis for the	Managing the Company's and the Group's liquidity mitigates operational, financial and reputational risk and thereby ensuring the Bupa Group's sustainability.

Decision	How we took stakeholders into account	Long-term implications
	products and services they provide, to employees that they will be paid on time and that investment will be made to enhance working practices and systems, and to customers that they are receiving products and services at a reasonable cost and that Bupa will support their needs over the long-term.	
Modern Slavery	**People, Suppliers and Community:** The Company is required to publish a modern slavery statement each year setting out the steps it has taken to prevent modern slavery and human trafficking in its businesses and supply chains. The Board noted the activities taken by management and the year-on-year improvement to ensure the Group's businesses and supply chains are free from modern slavery and human trafficking and approved the Company's modern slavery statement which is available on bupa.com.	The steps the Bupa Group takes in this area help protect our people, the people employed or contracts by our suppliers and the wider communities in which we operate.
Financial statements	**Investors and Regulator:** The Company publishes its half year-Results and Annual Report and Accounts each year as required by the Listing Rules, Disclosure Guidance and Transparency Rules published by the Financial Conduct Authority. These ensure that investors have relevant information on the Company's performance which they can use to base investment decisions on. The Bupa Audit Committee, which have been appointed to act as the Company's audit committee for the purposes of the Disclosure Guidance and Transparency Rules, reviews the half year Results and Annual Report and Accounts to ensure that they meet the statutory and regulatory requirements and present a fair, balanced and understandable view of the Company's performance during the relevant period. The Board then approves the half year Results and Annual Report and Account for publication.	This provides assurance to investors of the Company's ability to maintain its obligations related to its listed debt securities.

Risk

Embedding a strong risk management culture is a strategic priority across Bupa supported by robust risk management and controls.

This focus on culture is essential in order to respond to changing environments and evolving regulation. This means we can foresee the potential risks of future changes that could affect our customers and our business, and to mitigate them. Together with our controls, ensuring a strong risk culture helps us to continue to serve our customers well and meet our stakeholders' expectations.

Our comprehensive risk management programme ensures that risk management should come as second nature to everyone at Bupa and they are equipped to manage risk. We have tools in place to achieve this, including the Bupa Code, our code of conduct, risk appetites, Enterprise Policies and our 'Speak Up' whistleblowing process.

We are continuing to raise our standards and expectations in order to ensure the right outcomes for our customers, our markets and our business.

Our local businesses are exposed to a wide range of political, regulatory, legal and economic risks. Our health insurance, provision and aged care activities also carry different risk profiles including clinical risk.

We make sure we are in the best place to manage and diversify our risks, including emerging and strategic, by understanding the factors behind the risk to each individual business and to our balance sheet, and by assessing how these risks interact.

Progress in 2020

We continued to strengthen our approach to risk management during the year and have further embedded this capability within the business. Our approach is in line with the evolution of our business as a whole and the nature of how risks are evolving globally.

While we have put significant risk management focus on the pandemic, with a particular emphasis on the safety and resilience of our people and customers, we have ensured that we continue to focus on the wider risk management agenda throughout the year, including:

- conducting in-depth reviews of specific aspects of risk as they arise in the external environment and focusing on specific areas of risk for our insurance and healthcare provision businesses.;
- reviewing our strategic and emerging risk profiles with a particular emphasis on how these are likely to be affected by the pandemic;
- reviewing our climate change risk profile and evaluating our approach to enhancing climate change risk management and disclosures in Bupa;
- Reviewing the risks associated with increasing Bupa's stake in Bupa Arabia;
- reviewing our approach to the calibration of our capital risk appetite statement to update for changes in our risk profile;
- improving our regular risk reporting to the Risk Committee to assist in its effective oversight;
- continuing to review the risks to Bupa associated with the UK leaving the EU as they evolve;
- reviewing the risks associated with changing regulatory and political environments across the Group;
- undertaking a stress and scenario testing programme to improve our understanding of severe risks and how they may affect the business plan in both our insurance and healthcare provision businesses. This included regular assessments of the impacts of the pandemic as the situation was evolving;
- strengthening our clinical governance structures and approach
- continuing to improve our information security and privacy controls to respond to the ever-evolving external environment; and
- continuing to improve our wider information technology and IT operational resilience controls.

Our approach to risk management

Governance

We have governance processes overseen by non-executive directors at Group Board level and at subsidiary board level for our main insurance subsidiaries.

The Board Risk Committee receives reports from the Chief Risk Officer, Chief Medical Officer and other Bupa executives as appropriate, and sees minutes from the major insurance subsidiary boards' risk committees and the Group level executive committee, Bupa Enterprise Risk Committee (BERC). The BERC is responsible for the leadership and oversight of risk across the Group and recommends risk appetite to the Board Risk Committee. The BERC is chaired by the Group CEO.

Each of our large insurance entities is overseen by a local Board Risk Committee, consisting mainly of independent Non-Executive Directors (NEDs) who oversee the Risk Management Framework. Our other businesses have formal governance structures in place appropriate to the size, nature and complexity of the business. The subsidiary boards receive regular reports from local management and Chief Risk Officers.

Approach and implementation

We use a 'three lines of defence' approach to risk management.

We manage risk across our health insurance, provision and aged care businesses in line with our Board-approved Risk Management Framework. This sets out the principles behind a robust and continuous risk management system in our first line of defence.

This ensures that:

- we identify current and emerging risks to the businesses and strategy and understand the potential consequences;
- we have clear and established risk appetites within which we operate (these are discussed further below);
- we take appropriate and effective steps to mitigate and manage identified risks;
- we use risk management information to help inform risk-based decisions across the business; and
- there is clear ownership of, and accountability for, risk;

We have a culture in which:

- appropriate risk behaviours are encouraged and rewarded;
- inappropriate behaviours are challenged with appropriate consequences; and
- risk events are communicated quickly without fear of blame.

We have well-established reporting systems in place to make sure that major risks to our businesses are identified, escalated, managed and mitigated. We carry out detailed reviews and in-depth analyses on particular risks where required, and have a stress and scenario testing programme for key risks.

Our risk management processes include explicit consideration of how future risks to our strategy might emerge or evolve and what actions we should be taking now to mitigate these risks or to benefit from the opportunities they provide. This includes:

- consideration of how technology may evolve;
- the future of health and healthcare and the impact of emerging and increasingly prevalent medical conditions;
- how society may evolve including the impacts of ageing populations; and
- geopolitical and economic considerations.

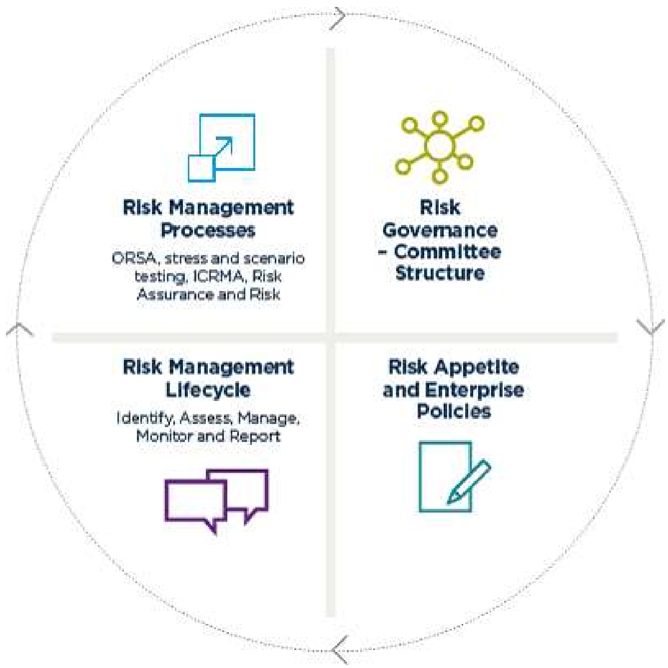
We manage the risks to Bupa from climate change using our risk management systems and structures as described above.

Our Enterprise Policies define the way we conduct business. The policies are reviewed annually and cover all key areas of risk for our health insurance, provision and aged care businesses. These are implemented by our Market Units and in Group Functions, and overseen by Group Functions to ensure compliance with the requirements in each Market and Business Unit. Each policy has a designated owner with defined roles and responsibilities at both enterprise and local levels.

Our annual Internal Control and Risk Management Assessment (ICRMA) tests how effectively we put the Risk Management Framework into practice. Through this, we assess how well internal control and risk management practices and policy compliance is embedded across Bupa. This is a self-assessment conducted by the first line of defence and reviewed and challenged by the second and third lines, with the results presented to the Risk Committee.

The importance of risk management is reinforced by the effectiveness of our risk management processes being a factor in remuneration, with defined outcomes for all Market Units.

Risk management life cycle



Risk appetite
The Bupa Board's risk appetite is a measure of the degree of risk we are prepared to accept in our work to deliver on our strategy. Our core risk appetite statements focus on:

- the treatment of customers and employees;
- management of our financial strength;
- the sustainability of our business; and
- operational risk, including information security, privacy and clinical risks.

The risk appetite statements are reviewed annually, with the Bupa Risk Committee recommending any changes to the statements to the Bupa Board for approval.

Risk profile
The Group accepts risk as part of our business. Some risks are avoidable while others are inherent in our business model. We have an effective risk management system and internal controls in place to mitigate these risks.

We maintain significant economic capital as a means of mitigating certain inherent risks. This reflects the nature of our operations and the level of risk associated with them.

These risks are set out in the table below in order of the solvency capital required to mitigate them.

Risk	Description	Comment and outlook	Mitigating actions
Property	The risk of the volatility in values or the devaluation of properties held for own use (including owned care provision properties), or for investment purposes, resulting in adverse impacts. This includes capital associated with leased properties following the introduction of IFRS 16.	We generally own rather than rent property. This could leave us exposed to falls in property values. Care home valuations are based on their trading potential based on discounted cashflow techniques.	By maintaining a geographic spread of businesses across a number of countries, we are able to diversify exposure to national or regional property markets.
Insurance	Risks relating to our insurance businesses. Risk of inadequate pricing and/or underwriting of insurance policies, and of claims experience being materially adversely different to expectations.	Health insurance is short-tailed with lower outstanding claims as a percentage of revenue than most general insurers. Insurance risk exposure will grow in step with planned growth in premium income of the insurance businesses. While the Group is currently seeing lower claims due to short term delays to elective healthcare, the average cost of claims that have been deferred could increase, as a consequence of the delay in treating progressive illnesses.	The relatively short-tailed nature of Bupa's products allows us to respond to market changes quickly, although this can be limited by government set pricing controls in some markets. Bupa has extensive control mechanisms in place to ensure reserves are adequate to mitigate against the risk of higher-than-expected claims costs. The geographical diversity of Bupa offers further mitigation against insurance risk.
Currency	Risk arising from changes in the level or volatility of currency exchange rates impacting on cash flows and assets held in currencies other than sterling, and on the financial statements.	As the net assets of businesses outside the UK grow, there will be a corresponding increase in currency risk in relation to translation into sterling. There is transaction risk relating to policies for which premiums and claims are in different currencies.	Currency translation risk is, where possible, significantly mitigated through a hedging programme to a Board approved level of risk. We limit currency risk exposure through asset liability matching in local currencies.
Credit spread and counterparty default	Risk of a loss in value of bond assets and/or that a counterparty fails to meet its obligations in the face of adverse economic conditions. This also includes the risk of a loss in value of the bond assets held within the pension schemes.	Our health insurance businesses have modest holdings of corporate and other bonds. These are exposed to the risk of widening spreads and defaults. There is banking counterparty default risk in respect of deposits.	Our bond portfolio is small in relation to our other financial assets and the majority is investment grade. Counterparty exposure is managed by dealing with highly-rated counterparties with exposure limits defined by Group Treasury Policy.
Operational (including conduct risk and clinical risk)	Risk of loss arising from inadequate or failed internal processes, or from personnel, systems or external events. This risk also includes conduct risk (the risk that our behaviours, actions or controls result in detriment or unfair outcomes for our customers), and clinical risk (the risk of injury, loss or harm to customers in receipt of healthcare)	We are committed to managing operational risks effectively. This includes continued close attention to management of regulatory risk and proactive engagement with regulators. If we expand our provision and aged care businesses, there will be an increase in inherent exposure to clinical risk. This is actively managed through continued refinement of our approach to clinical risk governance.	Maintaining internal control processes and governance frameworks, approving risk policies and assessing compliance help to mitigate this risk. We have reviewed and updated relevant internal controls to reflect the increased prevalence of staff working from home. The Clinical Function, led by the Group Chief Medical Officer, is responsible for ensuring clinical quality and governance within the business.

Other significant risks to Bupa, such as operational risk, cannot be effectively mitigated through holding capital alone, although we do hold significant capital for operational risks. Bupa's Market Unit Executive Risk Committees regularly review these residual risks and the mitigating actions taken to reduce them. They also inform the Bupa Risk Committee and BERC about key areas of specific concern. This provides management with a view of the priority areas in which resources should be focused.

The table below reflects the themes of the most significant risks currently facing Bupa. Whilst the risk categories remained stable throughout 2020 with additional focus on climate change risks, the residual and strategic risks were heightened due to the pandemic

Risk	Description	Comment and outlook	Mitigating actions
Information security including cyber-resilience	The risk of significant financial and reputational impacts due to a failure to appropriately secure information (including personal information).	Businesses are increasingly being targeted by cyber attacks. The COVID-19 Pandemic and the significant increase in staff working from home has increased certain aspects of information security risk.	We have a detailed programme of activities across Bupa to appropriately mitigate this risk. Bupa is continuing to invest in actions to enhance security and digitise customer experience.
Privacy	The risk of adverse impacts due to failure to handle personal information fairly, lawfully and securely.	Regulatory requirements and expectations in relation to privacy are increasing globally. This is also true of customer expectations as people become increasingly more aware of the value and risks associated with personal information.	We continually review and improve our controls over the management and security of personal information. Bupa has appointed Data Protection Officers and other privacy experts as part of our enterprise-wide privacy Risk Management Framework activities to help manage this risk.
Changes in government and regulatory policy	The risk of failure to anticipate or influence changes in governmental and regulatory environment which may impact our customers and the viability or profitability of our business.	Our health insurance, provision and aged care businesses are subject to government and regulatory policy, including minimum wage requirements, prudential requirements, changes to tax regimes and the interpretation of existing tax practices, pricing controls in some of our health insurance businesses and clinical care requirements for our provision and aged care businesses. The significant governmental and regulatory responses to the pandemic have shown that future legislation, regulations and government funding decisions could have a material impact on the Group. Any measures put in place may improve or reduce the attractiveness and affordability of private health insurance.	All the Group's markets have defined key activities to make sure we can continue to monitor and assess the strategic implications on our businesses of any future changes in policy or regulation, and advocate for appropriate change in these areas.
Social licence to operate	The risk that reputational damage could impact our social licence to operate and therefore our ability to achieve our strategic objectives.	Like many global companies, we face an increased risk of stakeholder activism and greater scrutiny of our record as a socially responsible company on topics such as the environment, climate change and other issues which can be interpreted as having an 'ethical' dimension e.g. executive and/or low pay, Diversity and Inclusion, treatment of suppliers, governance, responsible investment. Adverse comments and unfavourable media coverage can impact Bupa's reputation. There is also a risk that organisations will be judged in the future on how they have responded to the pandemic. It is more important now than ever that we continue to deliver on our purpose and serve and support our customers, our people and the communities we operate in.	In order to ensure issues in one business or Market Unit do not spread and impact the trust in our brand in another, contagion risk remains prominent in our operational and reputational risk management agenda with a focus on resolving and learning from issues faced.

Risk	Description	Comment and outlook	Mitigating actions
People resilience as a result of the pandemic	Risks associated with the resilience of our own people, particularly as a result of the pandemic, including safety, wellbeing and capacity, which impact on our employees' ability to deliver for our customers.	The pandemic has presented significant challenges to workplace safety and employee health and wellbeing, including the risk of infection to our people in the course of their work. Our people have had to adapt to new ways of working as a result of government restrictions, which has been very challenging for many of them. In markets where we are able to transition back to office-based working, we are doing so in accordance with government advice and are prioritising staff who are at least risk and would benefit the most from being back in the office. Our front-line staff, in particular our clinical staff, have been under significant pressure throughout the crisis and there is a risk of staff fatigue and burnout as the crisis continues.	Considerable work has been done to address the people risks associated with COVID-19. This has been led by the People Function with the support of all functions and businesses. This risk will remain as long as the pandemic continues and will evolve as we go in and out of various states of lockdown in our markets. We will continue to take appropriate action to support our people through this. See the Bupa Annual Report 2020, our People, for more information.
Technology disruption	The risk of failure to anticipate and/or respond to changing expectations in relation to information technology and resilience which could impact the viability or profitability of the business.	Changing consumer expectations/ behaviours with higher expectations for technological solutions to improve interactions and the need for businesses to ensure appropriate IT capabilities and operational resilience to deliver for customers. Customers have looked towards digital offerings during the pandemic and, where these have been available, they have been well received. This has also helped demonstrate value in digital insurance offerings in a period where people cannot claim for physical procedures.	Operational resilience capabilities tested around the Group during the crisis and generally found to be performing well. We have significantly increased our digital offerings for customers during the pandemic and this will remain an area of focus in the future.
Economic conditions and product value	The risk of geopolitical volatility, changing customer dynamics and competitor activity having an adverse impact on Bupa's business model.	The macroeconomic environment is challenging in most markets, and this will be compounded by COVID-19. It is uncertain how severe the impacts will be and how long they will last but any reduction in consumer or government spending may impact our businesses. We will manage any macroeconomic and regulatory and political uncertainty that may arise following the UK's exit from the EU as part of our ongoing business as usual risk profile. Weakened economic environments are also likely to compound the existing affordability challenges in health insurance as premiums rise, driven by medical inflation which continues to increase at a higher rate than premiums.	We regularly review our products and offerings to ensure that we continue to provide value to our customers despite the economic challenges.

Risk	Description	Comment and outlook	Mitigating actions
Environmental risks and Climate Change	The risk that our activities cause harm to the environment, and the risks that climate change could mean for our business	Climate change is a health concern as well as an environmental risk. We play an active part in promoting positive environmental practices and we look for opportunities to reduce waste and conserve energy where possible. We have performed a risk assessment of the risks associated with climate change considering the physical, transitional and liability risks for the Group. We have direct property related exposure to physical risks, especially in our provision and aged care businesses. Bupa's investment and insurance risks exposures are not material. We may be impacted by transitional risks that impact the ability for our customers to afford our products.	We have a Corporate Responsibility and Sustainability policy which includes environmental considerations and is reviewed on an annual basis. Each of Bupa's Market Units has developed a plan outlining actions to manage our social and environmental responsibilities. As detailed under ESG Governance in the Bupa Annual Report 2020, the Corporate Responsibility and Sustainability Advisory Committee advises the Board and Executive on actions to address the five pillars, including the environment and climate change risk. We have established a Group Wide Environment and Climate Action programme to consider and take appropriate action for Bupa. This programme includes considerations relating to our own carbon output, Risk Management processes and procedures, health implications from climate change and reporting and disclosure. The direct impacts of climate change on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets We have stressed the impact of climate change scenarios on our investment profile. We will continue to explore further potential scenario analysis and stress tests to perform.

There are further risks that capital cannot appropriately mitigate which remain a priority for management. These are detailed in the table below.

Risk	Description	Comment and outlook	Mitigating actions
Liquidity risk	The risk that we hold insufficient financial resources to enable us to meet our obligations as they fall due or to take advantage of potential opportunities, or of being able to secure such resources only at excessive cost, resulting in adverse impacts	Liquidity risk is addressed not through capital but by holding liquid assets and maintaining appropriate controls. Policyholder liabilities are predominantly backed by liquid assets, so our liquidity risk exposure primarily relates to the funding risk associated with borrowings.	This is mitigated by the Treasury function actively managing borrowings, for which the amount and timing of outflows are known, and by maintaining a portion of the bank facility undrawn. We have significantly de-risked our liquidity and debt maturity profiles, having issued senior and Tier 2 bonds in June 2020. However, we continue to monitor the markets to ensure we appropriately fund the Group.
Strategic risks	The risk that we are unable to design or implement appropriate business plans and strategies, to make decisions, to allocate resources, or to adapt to changes in the business environment. This includes the risks associated with acquisition and disposal decisions and their implementation.	Global trends and key areas influencing our markets are set out in the Bupa Annual Report 2020.	Our purpose – helping people live longer, healthier, happier lives – and our values shape how we act and deliver for our customers and our people. Through the identification and assessment of emerging risks, we can react to issues in a timely and appropriate manner.

By order of the Board.

Martin Potkins
Director
3 March 2020

Governance

The Company adheres to the policies and procedures adopted by the Bupa Group.

Bupa complies with the UK Corporate Governance Code 2018 (Code) and ensures that its governance responsibilities under the Code are enacted effectively with relevant provisions and principles being applied throughout the Bupa Group.

In addition, the Company complies with the Enterprise Policies issued by Bupa. These policies are designed to mitigate risks both internally and externally and to ensure that that Company operates within the risk appetite set by the Bupa Board.

System of governance

Bupa's governance structure is designed to enable the Board to lead within a framework of prudent and effective controls so that risk is effectively assessed and managed. As already stated in the Risks section, our system of governance includes a Risk Management Framework (RMF) implemented using a 'three lines of defence' approach. The RMF ensures that:

- all parts of the Group apply a consistent and robust approach to risk management
- current and emerging risks are identified and the potential consequences are understood
- clear risk appetites are set within which the business operates
- appropriate and effective steps are taken to mitigate and manage identified risks including using risk management information to make risk-based decisions
- there is clear ownership of, and accountability for risk, without fear of blame when communicating risk events
- the culture in all areas of the Group encourages and rewards appropriate risk behaviours and challenges and sanctions inappropriate risk behaviours.

The roles of each line of defence are set out below together with a description of our 'Speak Up' whistleblowing process. The role and activities of the Bupa Board and its Committees in our system of governance are described in the subsequent sections of this report.

The Bupa Board is ultimately responsible for the system of governance, RMF and setting policies.

Information flow	**1st line** All our people in Market Units and Functions	**Identify, manage and report** Identifying, assessing, controlling and mitigating risks to Bupa's objectives; compliance with Enterprise Policies, laws and regulations; identifying, escalating and learning from incidents; reporting of risk positions, weaknesses and incidents. **Advise and support** Advise on the application of Enterprise Policies and external regulations; set standards and provide advice on the design and testing of controls to support compliance. **Monitoring** Monitor and test the effectiveness of controls and compliance with Enterprise Policies and external regulations.
	2nd line Risk, Compliance and Clinical Governance	**Oversight and challenge** Independent oversight and challenge (including testing and monitoring) of risk governance and risk management practices conducted by the first line of defence. Form an independent view on the quality and sufficiency of the business' risk management activities and internal control environment. **Advise and support** Designing the RMF through which the business manages risk; providing guidance and support to the first line of defence on how to embed the RMF. Aggregate risk information for analysis and onward reporting to the Bupa Risk Committee and the Bupa Board.
	3rd line Group Internal Audit	**Independent assurance** Examine, evaluate and report on the adequacy and effectiveness of Bupa's governance, risk management and internal control processes in relation to Bupa's objectives and appetite for risk.

First line accountability

All our people are responsible for managing risk and ensuring compliance with relevant laws, regulation, best practice and Bupa policies and processes within their role. This ranges from care home employees following procedures to keep our residents safe, to senior managers ensuring that they have appropriate and up-to-date policies and procedures in place in their areas and that their people are following these and reporting any breaches or incidents quickly and fully.

To help our people to understand their responsibilities we have the Bupa Code which sets out how we expect our people to behave every day, and mandatory training on key issues and role-specific training for frontline people. We also run regular internal communications campaigns on key issues to maintain awareness. Each Business Unit proposes target risk outcomes for the year which are reviewed at Market Unit and Group management risk committees, monitored by local management and the outcomes reported to the Bupa Risk Committee. The Internal Control and Risk Management Assessment (ICRMA) process assesses compliance with our Enterprise Policies and is carried out by the first line and challenged by the second and third lines.

It requires continuous monitoring of risk management controls and real-time escalation of identified issues or gaps against Enterprise Risk Policies. Each Market Unit CEO and Enterprise Policy Sponsor provides an annual confirmation or opinion of compliance with each Policy.

Second line assurance

Risk and Compliance Function
Bupa's Chief Risk Officer (CRO) leads the Risk and Compliance Function and reports to the Bupa Group CEO. The CRO has unfettered access to the Bupa Chairman and to the Chair of the Bupa Risk Committee, which has responsibility for approving the appointment (and removal) of the CRO. Each Market Unit has a chief risk officer and a Risk and Compliance team.

The Group Risk Function is responsible for the consolidation of risks across Bupa, and reporting them to management, through the Bupa Enterprise Risk Committee, and to the Bupa Risk Committee. It has established the principles and framework that support the processes and procedures to identify, assess, manage, monitor and report risks that the Group is, or might be, exposed to.

The function provides oversight and challenge of risk governance and risk management carried out by the first line and reports on the quality and sufficiency of these first line activities to the Bupa Risk Committee. This includes providing a second-line opinion on the effectiveness of internal controls and the management of risks within appetite, which forms part of an integrated Risk Management and Internal Control Report which sets out the opinion of all three lines of defence.

Clinical Governance Function
The Clinical Governance (CG) Function, led by the Chief Medical Officer (CMO), is responsible for the assurance of Clinical Governance. The CG Function works closely with the Risk and Compliance Function to ensure risks are effectively reported, with the CMO also providing risk reporting to the Bupa Risk Committee and the Bupa Board. The CMO reports directly to the Bupa Group CEO.

Third line assurance

Group Internal Audit (GIA)
GIA provides independent and objective assurance over the effectiveness of Bupa's systems of governance, risk and internal control, helping the Group accomplish its purpose and protect its assets, reputation and sustainability.

To maintain the function's independence and objectivity, the primary reporting line for the Chief Audit Officer (CAO) is to the Chair of the Bupa Audit Committee, which has responsibility for approving the appointment (and removal) of the CAO. For administrative purposes, the CAO liaises with the Group CEO. GIA has no direct operational responsibility or authority over any of the activities audited. Co-source arrangements are in place with external providers in order to access specialist audit capability when that is deemed necessary.

The CAO regularly reports to the Audit Committee on GIA's activities as well as management's progress in addressing audit findings, and all GIA reports are made available to Bupa Audit Committee members. An Internal Audit Charter is in place setting out the function's role, authority and independence. GIA operates in accordance with the Global Institute of Internal Auditors' international standards and the UK Chartered Institute of Internal Auditors Financial Services Code (FS Code). The Internal Audit Charter, which is reviewed annually, was approved by the Bupa Audit Committee in December 2020 and is available on bupa.com.

GIA maintains a quality assurance and improvement programme. The programme includes: continuous external quality assurance activity undertaken by a third party; internal quality control monitoring; and annual self-evaluation against the UK Internal Audit Code of Practice and Financial Services Code. Quality assurance and improvement feedback is also gathered via stakeholder and employee engagement surveys.

GIA's overall performance is also measured against a balanced scorecard with target measures, approved by the Bupa Audit Committee, encompassing GIA service delivery, functional development, stakeholder management and audit resource management. The 2020 balanced scorecard and associated quality assurance report has provided positive assurance over the function's ongoing effectiveness.

GIA undertakes assurance work in accordance with an assurance plan approved and monitored by the Bupa Audit Committee. During 2020, this included assurance activities over core operational, financial, insurance, clinical and customer-related risks spanning the Group's material businesses. Key reviews included assessing: the Group's response to the pandemic; work to improve information security and privacy risk controls; the effectiveness of the Group's incident management and escalation/whistleblowing capabilities; the effectiveness of financial risk governance controls (including liquidity management); and health and safety risk mitigation.

Audit work during 2020 also thematically assessed risks associated with the Group's three lines of defence model, risk culture and awareness, and data governance, and ensured that local audits addressed inherent risks associated with customer outcomes, regulatory compliance and financial crime.

GIA adapted its assurance methodology and working practices in order to ensure continued delivery of work in spite of the pandemic. Its global organisational structure, global (cloud-based) audit management system, global methodology and 'one-team' working ethos enabled continued assurance delivery, though the timings and scoping of some work was inevitably disrupted as a result of the direct impact of the pandemic on some of the Group's businesses.

During 2021, GIA will provide assurance over key risks, providing balanced coverage across Bupa's market units, encompassing both insurance and provision businesses and the risks associated with each. Audits are planned at a global, market unit and business unit/local level. Global audit work will include assessments of: risk governance, management and assurance effectiveness; clinical governance; oversight of provision subsidiaries; and the embedding of the Group's information security, privacy and digital programmes. Audit work within material business units will also provide assurance over risks relating to customer outcomes, associated core operating processes and compliance with relevant regulatory requirements. Emerging risks considered as part of the 2021 GIA plan include those relating to sustainability (encompassing climate change), Bupa's ongoing resilience in managing the response to 'shocks' (such as that caused by the pandemic), and assessing the impact of potential changes in Code requirements relating to internal financial controls.

Integrated assurance reporting
An integrated assurance report has been developed and was presented to a joint meeting of the Bupa Audit and Bupa Risk Committees in February 2021. The report provides an overview and assessment of the Group's systems of risk management and internal control in 2020, combining inputs from each of Bupa's three lines of defence. The report enables the Bupa Board and its Committees to assess the Group's systems of risk management and control in a comprehensive and consistent way, and to consider relative strengths, weaknesses and future improvement opportunities. The report also provides the basis on which the Bupa Board reports on Bupa's compliance with associated aspects of the UK Corporate Governance Code.

Whistleblowing
We foster an open and honest culture which includes encouraging and enabling our people to raise concerns of any malpractice or wrongdoing at Bupa in a secure and anonymous way in cases where reporting directly to a manager is not appropriate or the concern has not been fully addressed. We run regular internal campaigns to raise awareness of 'Speak Up', Bupa's internal whistleblowing process, in addition to mandatory annual training. There are 'Speak Up' officers for each business. The Bupa Audit Committee annually reviews the policy to ensure that it is robust and operating effectively, and recommends it to the Bupa Board for approval. The Bupa Board receives regular updates on issues reported through 'Speak Up' during the year and on investigations and actions taken.

External Auditor
External audit provides independent assurance to the Company's shareholder to provide confidence over the audited financial information in this Annual Report and Accounts. KPMG LLP (KPMG) is our current External Auditor. The Bupa Audit Committee provides clear guidance to KPMG on the Committee's expectations of KPMG as External Auditor. The lead audit partner, Philip Smart, attends all meetings of the Bupa Audit Committee and Bupa Risk Committee and provides regular reports to the Bupa Audit Committee.

Audit Committee
Philip Smart has been our audit partner since 2017 and he will remain in this role to ensure a smooth handover to our new external auditors, PricewaterhouseCoopers LLP (PwC), during 2021. This is in accordance with Financial Reporting Council (FRC) standards on lead audit partner rotation. As part of the annual evaluation of the External Auditor, the Bupa Board confirmed that they were satisfied that the External Auditor had maintained its independence during the year and to the date of this report.

KPMG has internal procedures and controls and follows the FRC's Ethical Standard for auditors to ensure that it remains independent. There are no contractual obligations restricting the Group's choice of External Auditor and there is no limitation of liability in relation to statutory audit activities in the terms of KPMG's appointment as External Auditor of the Company. Bupa has an Audit and Non-Audit Services Policy, setting out the circumstances under which the Group's External Auditor can be engaged for non- audit services, recruitment restrictions for candidates with employment experience with the External Auditor and monitoring and reporting requirements for Bupa employees, contractors and temporary staff with close family members who are employed by the External Auditor.

Change of External Auditor
In 2019, following a tender process led by the Bupa Audit Committee, the Bupa Board approved the appointment of PwC as the Group's External Auditor subject to approval by Bupa's Association Members at its 2021 AGM. Details of the tender process and decision are set out in the 2019 Bupa Audit Committee Report on page 23 of the 2019 Annual Report and Accounts.

PwC has been shadowing KPMG during its audit of Bupa's 2020 Annual Report and Accounts and, since December 2020, the PwC incoming lead audit partner has been attending Bupa Audit Committee and Bupa Risk Committee meetings as an observer. The Non-Audit Services Policy has applied to PwC since 1 January 2020 to ensure their independence at appointment.

The appointment of PwC is subject to approval by the Shareholder at the Company's 2021 annual general meeting. Thereafter, the Group intends to tender the external auditor appointment at least every ten years.

Workforce engagement

Culture and our people
The Bupa Board is responsible for establishing Bupa's purpose, values and strategy and ensuring that our culture is aligned to these at all levels of the organisation. In order to do our best for our customers, we need to take care of our people and this will lead to strong and sustainable performance for the benefit of our purpose of helping people live longer, healthier, happier lives.

Governance
for the year ended 31 December 2020

Our culture is shaped by our values and the Bupa Code which sets out what we expect from our people to help them live our values and achieve our purpose. The Bupa Board endorses a number of leadership imperatives, encompassing a set of competencies specific to customers, people, performance and purpose. These competencies help our senior leaders across the business to deliver performance through putting customers at the heart of everything we do and helping our people be at their best. All employees are required to complete mandatory training on the Bupa Code and other areas including information security and privacy, risk management, conflicts of interest and financial crime.

The Bupa Board monitors behaviours in a number of ways including:

- measuring our people's engagement level through our People Pulse survey tool and considering recommendations to management in response to the survey results
- considering bi-annually the level of, and themes arising from, reports received through our 'Speak Up' whistleblowing process, and receiving quarterly reports on the level and nature of customer complaints in our insurance and healthcare provision businesses
- considering, via the People Pulse survey, how our people embody Bupa's values.

Engaging our people
The Code requires boards to understand the views of companies' key stakeholders and recommends a number of methods for engaging with our people. We believe that our existing people engagement mechanisms and channels remain effective. The restrictions imposed by the COVID-19 pandemic required us to adapt our engagement plans to reflect the inability to meet in person and to leverage electronic communications. The Bupa Board was pleased to note that, in October, Bupa was ranked as one of the world's best employers in Forbes' annual list, which asked participants to rate their satisfaction with their employers' response to the pandemic and score their employers on gender equality and social responsibility. Engagement methods during 2020 are described in more detail below.

Listening
Bupa listens to its people and promotes a positive, flexible working environment and a diverse and inclusive culture so everyone can be their authentic selves at work. Our People Pulse survey tool provides sophisticated insights and benchmarking with other companies, so we can learn and listen to what is of interest or concern to our people and act, where appropriate, on what our people are telling us.

As part of the detailed quarterly management information which the Bupa Board receives, people and culture issues in each of our Market Units are highlighted during the year. The Bupa Board has considered people issues such as the impact of the pandemic on health and wellbeing, on staffing of provision businesses and progress on work to encourage diversity and inclusion across the Group. We want our people to see the Bupa Board as accessible and approachable. In normal circumstances, site visits for the Bupa Board as a whole, or for individual or small groups of Directors, would be scheduled on a regular basis. These visits provide an invaluable opportunity for our people to ask questions directly to the Bupa Board and for the Bupa Board Directors to gain an insight into the issues important to our people in different parts of the business. This helps enhance decision-making and consideration of the longer-term impact of the Bupa Board's decisions on our people. Given the continued restrictions on travel, these sessions are now being arranged virtually, so far as practicable.

The restrictions imposed as part of the global response to the pandemic meant that pre-arranged site visits planned by the Bupa Board were paused. However, as the pandemic developed, the Bupa Board made sure that it was appraised of management's additional efforts to support employee health and wellbeing and to engage and listen to our people throughout Bupa.

The existing proactive programme of internal communications via email, the intranet, presentations, and internal social media platforms was adapted to cover pandemic-related, as well as 'business as usual' issues. Employee forums remained in place for areas such as training and development, IT and security and for local office issues.

Inclusion and Diversity
The Bupa Board sets the 'tone from the top' concerning the Group's inclusion and diversity culture. We strive to be an inclusive and diverse organisation that welcomes everyone of all beliefs, talents and backgrounds. In 2020, we strengthened our approach to inclusion and diversity, published on bupa.com. Our approach focuses on creating inclusive cultures, leadership and practices. It is globally set and locally owned, where each market has its own priority areas of focus. We believe that teams of greater diversity provide us with the best opportunity to solve the business and social challenges that we face. And we have no tolerance for racism or discrimination of any kind.

Our approach to inclusion and diversity supports our ESG agenda and is sponsored by two members of the Bupa Executive team who sit on Bupa's Inclusion & Diversity steering committee. The Bupa Board also has a Board Diversity Policy, which was updated in December 2020.

Environmental, Social and Governance (ESG)
ESG is a key focus for the Bupa Board. We strengthened the governance of our ESG agenda during 2020, and as of April 2021 a Group Board Sustainability Committee will be established to assist the Bupa Board and its other Committees in ensuring the integrated management of ESG matters. This new Committee will replace the former Bupa Corporate Responsibility and Sustainability Advisory Committee.

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for the year ended 31 December 2020

The Role of the Board

The Board is responsible for the long-term success and sustainability of the Company for the benefit of its shareholder and stakeholders. It does this by providing clear leadership and overseeing management's implementation of Bupa's strategy within a prudent and effective governance structure and ensuring that Bupa's culture is aligned to our purpose, values and strategy.

Complying with the UK Corporate Governance Code 2018
Bupa aims, where appropriate, to operate to the same governance standards as are required of UK FTSE 100 companies and has therefore chosen to apply the UK Corporate Governance Code 2018 (the Code) and has applied the UK Corporate Governance Code for a number of years, prior to the introduction of the requirement for large private companies to report publicly which corporate governance code they follow, if any. The Company is required by UK company legislation to disclose its corporate governance arrangements, including which corporate governance code it chooses to apply. As Bupa has a Group-wide system of Governance and Risk Management Framework, the Company has chosen to apply certain Principles of the Code which it believes are appropriate for a large, wholly owned subsidiary company with (i) a sole corporate shareholder which itself seeks to comply with the Code and (ii) debt investors. The Company does not apply the following Principles of the Code as they are applied at parent company level only by the Bupa Board and its Committees are not considered relevant to the Company as a subsidiary:

- Section 2 – Division of Responsibilities: Principles F-H
- Section 3 – Composition, Succession and Evaluation: Principles J and L
- Section 5 – Remuneration: Principles P-R

The Code is available at frc.org.uk.

The table below sets out how we have complied with the Principles of the Code during 2020.

Principle	How we apply the Principle
1. Board leadership and company purpose	
A. The board's role A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	The Board is responsible for the long-term sustainable success of the Company for the benefit of its customers and wider stakeholders, now and in the future. The Board works to achieve this by making decisions in line with Bupa's strategy with prudent and effective governance structure using a three lines of defence model. The s172 statement on page 12 provides examples of the types of decisions made by the Board during the year and how they relate to the Company's key stakeholders.
B. Setting purpose, values and strategy The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	The Bupa Board sets the values, strategy and culture for the Bupa Group in line with Bupa's purpose of helping people live longer, healthier, happier lives. The Board assists in the execution of Bupa's strategy through its decision-making. The Directors take decisions in line with Bupa's values and culture and ensure they make informed decisions on the areas within their remit.
C. Resourcing and risk management The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	The Bupa Board retains ultimate responsibility for risk management and internal controls, with detailed oversight carried out by the Bupa Audit Committee (which has been appointed to fulfil the role of the Company's audit committee for the purposes of DTR 7.1 and is comprised solely of independent non-executive directors) and the Bupa Risk Committee. On the recommendation of the Bupa Risk Committee, the Bupa Board sets the Group's risk appetite and RMF. These set out the principal risks facing the Group and the nature and extent of risk the Bupa Board is willing for the Group to take in order to achieve the Group's strategic objectives. The Group's enterprise risk policies are approved by the Bupa Board or relevant Bupa Committee and overseen by the Bupa Risk Committee.

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Principle	How we apply the Principle
D. Stakeholder engagement In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	We are a customer-focused business reliant on our people to deliver great service. The Directors consider the impact of decisions on relevant stakeholders. There is an active programme of engagement with our bondholders through briefing calls on the Company's half year Results and Annual Report and Accounts and an annual roadshow for bondholders. Other significant developments are communicated via regulatory announcements, press releases and Bupa website bupa.com.
E. Workforce policies The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concerns.	During the year, the Bupa Board approved a revised people strategy and received updates on the ESG strategy. These include ensuring that the Group's workforce policies and practices are consistent with our values and support our long-term sustainable success. The Bupa Audit Committee annually reviews the Speak Up policy to ensure that it is sufficiently robust and operating effectively.
2. Division of responsibilities	
I. The Company Secretary The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	The Group Company Secretary (who is also the Company's company secretary) and his team advise the Board on company law and corporate governance matters, including compliance with the Code. He works with the Directors to ensure that the right matters are escalated to the Board at the appropriate time and of a high quality. He is responsible for the Group's Subsidiary Governance Enterprise Risk Policy which sets minimum standards of corporate governance across the Group.
3. Composition, succession and evaluation	
K. Skills, experience and knowledge The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	In accordance with the relevant Bupa policy, an assessment of the required skills, experience and knowledge is carried out in order to identify any new appointment/changes to the composition of the Bupa Board. The Bupa Audit Committee acts as the audit committee of the Company and the members of that Committee are recommended by the Bupa Nomination and Governance Committee to the Bupa Board for approval.
4. Audit, risk and internal control	
M. Financial reporting integrity The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	The Board delegates detailed oversight of GIA and the External Auditor to the Bupa Audit Committee, together with oversight of the Group's system of internal controls to ensure the integrity of the Company's full year and half year results and the Annual Report and Accounts. On the recommendation of the Bupa Audit Committee, the Board reviewed and approved the 2020 half year and full year Results and the 2020 Annual Report and Accounts and was satisfied that the Group's system of internal controls had operated effectively during the year.
N. Fair, balanced and understandable The board should present a fair, balanced and understandable assessment of the company's position and prospects.	The Bupa Audit Committee reviewed the 2020 Annual Report and Accounts in early 2021 and was satisfied that it presents a fair, balanced and understandable assessment of the Group's position and prospects. It reported its findings to the Board.

Principle	How we apply the Principle
O. Risk management and internal control The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	The Bupa Risk and Bupa Audit Committees monitor the Group's risk management and internal control systems on behalf of the Board on a continuous basis and the Bupa Risk Committee reviews the Group's principal risks and recommends any changes to risk appetite to the Board. An annual assessment of compliance with the enterprise risk policies is undertaken by management, overseen by the Risk function and reported on to the Bupa Audit and Bupa Risk Committees. During the year, the Bupa Risk Committee has carried out a robust assessment of the Group's principal and emerging risks, including those relating to the COVID-19 pandemic. Emerging risks are continually monitored by the Risk function and regularly reported to the Bupa Risk Committee for consideration.

Bupa Audit Committee report

The Committee's role and governance
The principal function of the Committee is to monitor the integrity of Bupa's financial statements, the effectiveness of our internal control systems, and to monitor the effectiveness, performance, objectivity and independence of GIA and the External Auditor. The Committee also reviews regulatory reporting and external disclosure requirements.

A full description of the Committee's role is set out in its Terms of Reference which are available on bupa.com. The Group CEO, CFO, Group Financial Controller, CAO, CRO and lead partner of the External Auditor are routinely invited to attend meetings. The Committee meets at least annually with each of the External Auditor, CAO and Chief Actuary in the absence of management. In May, Nick Lyons stepped down as a Committee member and Matías Rodríguez Inciarte joined the Committee. All Committee members have extensive financial experience, with the majority of members' experience being recent in nature.

Key activities in 2020
During the year, the Committee considered regular reports from management on key issues and judgements impacting the Group's statutory and regulatory financial results; the External Auditor's audit plan, engagement letter, annual letter to management, audit progress and conclusions; reports from the CAO on the internal control environment; and reports from the Chief Actuary on insurance claims reserving. Where applicable, all regular reports considered the impact of the COVID-19 pandemic on insurance claims reserving, goodwill impairment assessments and going concern assessments. Regulatory and financial statement disclosures were subject to additional scrutiny and challenge by the Committee.

Additional meetings were held in May and June to: assess the impact of the pandemic on the Group's insurance claims reserving (including the recognition of a deferred insurance claims provision and a return of premium provision in advance of the 30 June 2020 reporting date); to consider the financial reporting implications of the proposed purchase of the additional shareholding in Bupa Arabia; and to scrutinise representations and disclosures associated with the bond issuance that completed in June.
The Committee continued to foster improvements in governance during 2020, endorsing the development of collaborative and combined reporting from each of the three lines of defence concerning their assessment of the effectiveness of the Group's systems of internal control and risk management, which will help the Committee and the Board in its assessment and oversight of risk and control.

From 1 January 2021, the Committee oversaw the initial external audit transition activities following the Bupa Board approval of PricewaterhouseCoopers LLP (PwC) as the Group's external auditor, with the incoming lead audit partner attending Audit Committee meetings from December 2020 onwards as an observer.

Insurance claims reserving
The impact that the pandemic had on the availability in supply of private medical care, particularly in the early stages of the year, lead to an unusual time of volatility for our insurance businesses, which are generally highly predictable. This experience across the Group's insurance geographies, along with commitments communicated by Bupa to ensure customers received value from their policies, and statements by global regulators around the consequences of the pandemic on insurance claims reserving, further heightened the level of judgement in this area. Insurance claims reserving judgements and estimates were therefore considered carefully by the Committee. The provision for deferred claims and the return of premium provision (concerning UK private medical insurance customers) in the Group's IFRS reserves and Solvency II technical provisions were reviewed by the Committee throughout the year, with reference to the latest claims experience and other factors influencing the recognition and estimation of these reserves. The Committee was satisfied with the accounting approach to both half year and full year insurance reserving, which developed as access to private healthcare returned in the second half of the year and further clarity on regulatory expectations was obtained.

Bond issuance
The Bupa Board approved two bond issuances, supported by the Committee, which held an additional meeting to review the integrity of the related disclosures and management representations and the accounting and capital implications of the transactions. The Committee reviewed the proposed disclosures in light of the impact of the pandemic and was also satisfied with the results of management's analysis that there were no immediate indicators of goodwill or property impairment.
Impairments

Given the potential for the pandemic to affect future cash flows and discount rates, particularly in the near term, as well as other technical inputs to the calculations, management's analysis concerning goodwill impairment assessments across Bupa's cash generating units (CGUs) was subject to enhanced scrutiny by the Committee during 2020. The Committee is satisfied with the nature and level of associated disclosures regarding the key assumptions and sensitivities for those CGUs where a 'reasonably possible' change in assumptions could trigger impairments in future. The Committee will continue to challenge management's goodwill impairment assumptions during 2021 to ensure a sufficient level of prudence is maintained.

Solvency II Reporting
The Committee receives regular updates on the Group's Solvency II capital position, including Solvency II technical provisions, Balance Sheets and Own Funds and reviewed management's proposals and basis of preparation for the Solvency and Financial Condition Report (SFCR) and the Regular Supervisory Report (RSR). In April 2020, the Committee reviewed the Group SFCR as at 31 December 2019, which included an additional covering statement concerning the impact of the pandemic on Bupa, which was considered to be a non-adjusting, post balance sheet event. The Committee reviewed the results of management's additional COVID-19 capital and liquidity stress testing scenarios and was satisfied that the SFCR going concern statement was appropriate.

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Financial reporting
The Committee reviewed the half year and full year 2020 financial statements with both management and the External Auditor.

Fair, balanced and understandable
In assessing whether the 2020 Annual Report was fair, balanced and understandable, the Committee found as follows:

- The narrative reporting in Bupa's Strategic Report is consistent with the financial statements, providing challenge and feedback throughout the compilation of the Annual Report and Accounts.
- The key judgements referred to in the narrative reporting and the significant issues reported in the Bupa Audit Committee report are consistent with the financial statements.
- Statutory and alternative performance measures, such as underlying profit, have been given equal prominence and are clearly explained.
- Key Performance Indicators reflect those used to measure business performance and management is able to explain their relevance in assessing the results.
- Clear, simple explanations are given of the business model, Bupa's strategy and accounting policies.
- Key messages are clearly highlighted with consistent wording throughout the Annual Report.
- The layout and presentation are clear with appropriate language used throughout.

During the year Bupa received a request for information letter from the Financial Reporting Council (FRC) in respect of Bupa's half year 2020 interim report and condensed accounts. The Committee reviewed management's response and the full year 2020 disclosure clarifications that were communicated to the FRC and were satisfied no further disclosure changes were required.

Group Internal Audit
The assurance provided by GIA is an important part of the Committee's consideration of Bupa's overall control environment during the year. GIA's annual plan is aligned to an assessment of risk across the Group and to the Risk Management Framework. During 2020, the Committee interacted with GIA in the following ways:

Reviewing and approving GIA's risk-based 2020 Group Assurance plan and budget (2020 Plan), approving appropriate changes to the 2020 Plan during the year in response to the pandemic and reviewing and approving GIA's planned audit coverage and budget for 2021.

Receiving and reviewing regular reports from the CAO. These reports include detail on GIA's progress towards completing the 2020 Plan and highlight findings from GIA assurance activity for the Committee's attention, including monitoring the effectiveness of management's actions in responding to these findings.

Reviewing the Group's integrated assurance report on the ongoing effectiveness of Bupa's systems of internal controls, including the CAO's opinion.

Overseeing the development of the GIA function and the assessment of its effectiveness via: balanced scorecard measures, including independent quality assurance; internal assessment against industry standards; and through stakeholder/employee feedback processes.

Chief Audit Officer
The Committee is responsible for the appointment and removal of the CAO, and, through the Bupa Audit Committee Chair, sets the CAO's objectives and reviews their performance, taking into account the views of the Group CEO. The CAO has access to the Committee Chair and Board Chairman as required and is directly accountable to the Committee. The current CAO has been in role since August 2019. The Committee Chair held regular meetings with the CAO throughout the year, and the CAO met in private with the full Committee twice without Management being present.

External Auditor
During the year, the Committee assessed the performance of the External Auditor, KPMG, in conducting the audit of the 2019 Annual Report and Accounts. This assessment considered the overall quality of service, timeliness of the resolution of issues, the quality of the audit resource and whether the audit plan was followed and was conducted through surveys sent to Committee members, the Group CEO, CFO, CAO and Group Financial Controller, and senior finance management across the Group. The Committee was satisfied with KPMG's performance and the quality of the audit.

In the interest of safeguarding the independence of the External Auditor, Bupa chooses to comply with the relevant provisions of the EU Audit Regulation (537/2014) and the FRC's Ethical Standards for auditors, relating to the provision of non-audit services by the External Auditor. During the year, the Committee reviewed the extent of non-audit services provided by both KPMG (as the current auditor) and PwC (as the incoming auditor) and was satisfied with management's actions to ensure the independence of both was preserved.

The Committee also reviewed the Group Audit and Non-Audit Services Policy, which was updated to reflect the publication, in December 2020, of the Financial Reporting Council's 'Revised Ethical Standard'.

The Committee held two meetings with the lead audit partner during the year without management present to ensure that they had the opportunity to raise any concerns and to assist the Committee in ensuring that KPMG remains independent and objective. The Committee approved the external audit plan and audit fee for the audit of the 2020 Annual Report and Accounts and remains satisfied with the quality of service that KPMG provides.

Subsidiary governance
The pandemic prevented the Committee from attending, in person, meetings of the insurance subsidiary audit committees. The Committee has, nevertheless, maintained its links with the audit committees of Bupa's major insurance subsidiaries:

Paul Evans and Matías Rodríguez Inciarte, who are both Committee members, are also respective chairs of the audit committees for the major UK and Spanish insurance subsidiaries and provided regular verbal updates to the Committee during the year.

The Committee Chair attended, electronically, meetings of the UK and Chilean insurance subsidiary audit committees in July and November, respectively.

The chair of the Australian insurance subsidiary attended, electronically, the Committee meeting in December.

In July, senior executives from the first and second lines of defence within the ELA Market Unit provided the Committee with an update on governance, risk management and controls within the Mexico business.

In December, the CEO and the chief executive of the Group's business in Hong Kong provided the Committee with an update on management actions and the local board audit committee's oversight of these in relation to improvements to the local control environment.

The Committee also received summaries and minutes of the insurance subsidiary audit committee meetings that took place during the year and the Committee Chair held separate, regular telephone calls with regional chief financial officers and the regional heads of internal audit.

Committee effectiveness review
The results of the external evaluation of the Bupa Board's performance that took place in 2019 raised no actions specifically for the Committee to address during 2020.

The results of the internally facilitated review of the Committee's performance during 2020 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2021 included: examining ways to deepen the Committee's knowledge of the Finance Function's capabilities, structure and resources; continuing to support GIA and the Risk Functions as they develop their integrated assurance reporting methodology; and fostering continued improvements to the quality of reporting by management to the Committee.

Focus for 2021
During 2021, the Committee will focus on the transition to PwC as the Group's External Auditor, the project to implement accounting for IFRS 17 Insurance Contracts, further improvement to the Group's control environment and continuing to engage with the audit committees of the Group's major insurance subsidiaries.

Clare Thompson
Audit Committee Chair

Significant issues and areas of judgement

Key issue		Committee response
Goodwill and intangible asset valuations	Significant levels of goodwill and intangibles are held in respect of prior acquisitions. Impairment reviews are inherently complex and require a high level of judgement to be applied due to the uncertainty involved in forecasting future cash flows and judging the appropriateness of discount rates used and future growth rates of the respective businesses. For a number of the Group's CGUs, both the short-term cash flow impacts of the pandemic and the uncertainty regarding any longer-term impact have further increased the level of judgement inherent in this assessment.	The Committee critically reviewed and discussed management's reports outlining the key assumptions within impairment assessments for our most sensitive CGUs and challenged the results in the light of business performance and the external environment, The short-term impacts of the pandemic, particularly the closure and service restrictions experienced by a number of the Group's provision businesses, have been a key area of focus within management's analysis and judgements. The material assumptions made in respect of COVID-19 impacts on cash flows over the forecast period, along with management's consideration of any expected permanent diminishment in long-term value, has been a key area of challenge from the Committee during the year. The most sensitive CGUs continue to be UK Dental, BVAC Australia, Bupa Care Services UK and Bupa Chile. The Committee also considered the appropriateness of disclosures regarding impairment testing results, the related key assumptions and the headroom sensitivities. The Committee also received from the External Auditor a report of their views on the assessments performed by management. The Committee is satisfied that the assumptions applied were reasonable and the carrying value of goodwill and other intangible assets is appropriate.
Insurance reserves	Calculation of the outstanding claims provision is based on assumptions including claims development, margin of prudence, claims costs inflation, and medical trends and seasonality, which require a high level of judgement and actuarial expertise. The impact of the pandemic further heightened the level of judgement required in estimating claims provisions.	The Committee received a report from Bupa's Chief Actuary setting out estimates of the technical provisions, including the margin of prudence held by each insurance entity, as well as the result of the annual review of compliance with Bupa's Claims Reserving and Liability Adequacy Standards. Throughout the year, the Committee was presented with a number of updates specifically focused on the impact of the unfolding pandemic on the Group's technical provisions, particularly as lockdowns restricted access to private health provision, and including consideration of the differing regulatory expectations across Bupa's geographies which emerged during the year. Management's analysis focused on the experienced and expected impact on claims patterns, which generally are highly predictable and of low volatility, as well as the contractual and constructive obligations to our customers present at key reporting dates. This included the inclusion of any necessary deferred claims reserves within the estimation of the Group's claims provisions at half year and full year. The Committee also considered the recognition of a return of premium provision within the UK private medical insurance business, with a key focus on the assumptions driving the estimated provision. The Committee considered the appropriateness of the overall level of insurance reserves, including the level of prudential margin. In reviewing and approving the insurance technical provisions, the Committee also took into consideration the External Auditor's report to the Committee.
Property valuations	Bupa has a significant portfolio of care homes, villages and hospital properties which are revalued to fair value on a periodic basis, with	The Committee received the results from the external valuations in Australia and New Zealand undertaken as part of the triennial property review, and Directors' valuations performed in other Market Units. Directors' valuations were

Governance
for the year ended 31 December 2020

Key issue		Committee response
	external valuations undertaken at least triennially. The underlying assumptions involved in the valuations, including earnings, profitability, occupancy levels and future trends are subject to a high level of judgement.	supported by out-of-cycle external valuations for a number of the Group's property portfolios, in response to the increased uncertainty caused by the pandemic. The Committee also reviewed reporting from the External Auditor addressing the valuations to assess their reasonableness and considered the appropriateness of disclosures made.
Provisions and contingent liabilities	The Group has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, and interpretation of tax law.	The Committee received reports from management setting out the rationale applied to the consideration of the recognition and disclosure of provisions and contingent liabilities. The Committee concluded that management's assumptions were appropriate regarding the need or otherwise for accounting provisions and that the proposed disclosure in the financial statements was appropriate.

Risk Committee report

The Committee's role and governance
The principal role of the Committee is to assist the Bupa Board in articulating and developing its risk management strategy and providing oversight of risk across Bupa. This includes understanding current and future risk exposures, recommending overall risk appetite to the Bupa Board, reviewing the consistency of corporate strategy with the Company's risk appetite, reviewing the Risk Management Framework (RMF), considering the risk aspects of major transactions, and promoting a risk-aware culture throughout Bupa. A full description of the Committee's role is set out in its Terms of Reference on bupa.com. A detailed description of the principal risks to Bupa's business and the Group's approach to, and implementation of, risk management systems and controls is set out in the Risk section on pages 14 to 21.

The Committee members are all independent NEDs whose collective experience and knowledge ensures that the Committee can provide the Board with ongoing risk management oversight and advice on strategic risk matters. Caroline Silver, Clare Thompson, Paul Evans and Michael Hawker bring additional technical experience from their extensive history within the accountancy, insurance and financial services sectors. Matías Rodríguez Inciarte has similar experience and he and Michael are NEDs on the boards of the Group's Spanish insurance and Australian/New Zealand and businesses respectively, whilst Paul is a NED on the boards of Bupa's UK insurance businesses, bringing to the Committee direct insight into our key markets. Professor Melvin Samsom has an extensive medical background, which is especially relevant when considering clinical risks, whilst his work in Saudi Arabia offers insight into one of Bupa's growth markets.

The Group CEO, CFO, CRO, CMO, CAO and the lead partner of the External Auditor are invited to attend all meetings. The CRO has unrestricted access to all members of the Committee and has regular private meetings with the Committee, in the absence of management, to ensure that there is an opportunity for the CRO to raise any concerns he may have.

Key activities in 2020
The impact of the COVID-19 pandemic on the nature and variety of risks to the current and future sustainability of Bupa was a priority consideration during the year. The principal risks faced by the Group were subject to additional scrutiny in light of any pandemic impact, arising or anticipated. The Committee also reviewed management's analysis of the potential emerging strategic risk landscape in the context of ensuring that the risk management framework would remain relevant and appropriate to the Group in a post-pandemic world.

Information security, technology and privacy risks continued to be priority issues for the Committee during 2020, both in terms of scrutinising management's efforts to improve and enhance the associated risk management controls but also recognising the need for management to identify, consider and work to mitigate additional or heightened risks brought about by the pandemic. Such pandemic-related potential risks considered by the Committee included, for example, risks to technology resilience as a result of the increased incidence of working from home and the potential for increased risk of information security breaches and data loss as a result.

During the year, the Committee also reviewed the Group's preparedness for the end of the EU/UK transition period following the UK's departure from the EU on 31 January 2020. As well as considering the risks and opportunities presented by a 'no-deal' outcome after the end of the transition period, the Committee considered a range of topics, including management's plans to mitigate regulatory, data and financial volatility risks.

Risks associated with climate change were also considered by the Committee, noting that management had made good progress with plans to mitigate such risks and had set risk management goals measured against science-based targets, relevant operational targets and in light of recommendations by the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board.

Technology and information security risks
A significant, multi-year investment programme in the Group's technology capabilities began in 2019. The Committee continued to place significant emphasis on our technology, information security and privacy risks during 2020 to ensure that the Group protects the data of its customers, partners, employees and suppliers, and that the Group's technology systems remain resilient. The Committee received regular updates from the Chief Information Officer during the year on the progress made in reducing the risk exposures. Second line assurance was provided by the CRO and the Board's independent cyber adviser also attended the majority of Committee meetings where technology matters were discussed. The Committee held a series of private meetings with the Board's independent cyber adviser, without management being present.

The Committee challenged management to ensure continuous improvement and uplift in technology and information security controls by addressing risk culture, resourcing and the target outcomes during the year. The Committee was pleased to note that significant progress had been made by the Technology team in developing and embedding comprehensive and consistent controls and control assessment methodology concerning critical technology infrastructure. The Committee is satisfied that the business continues to reduce the risk as planned and will maintain its focus on ensuring that the benefits are sustainable, with documented policies, controls and reporting in place.

COVID-19 pandemic-associated risks
As the pandemic developed during the first quarter of 2020, the Committee considered existing, emerging and anticipated risks within the context of the current RMF and, subsequently, as part of future strategic risk management planning for a post-pandemic environment. The RMF was judged to remain appropriate and to be operating effectively, with 'business as usual' risk management maintained. Future strategic risk management review work involved considering the effect of the pandemic on risks

associated with, for example, people, financial resources, the supply chain, political and regulatory intervention, reputation and the wider macroeconomic environment.

Clinical governance risks

The Committee considered clinical governance risks against the backdrop of the Group's Enterprise Clinical Governance Risk policy which had been refreshed by the CMO in 2019. During 2020, attention was given to reviewing the extent to which that policy was becoming embedded as part of standard clinical governance within the Group's businesses. At its December meeting, the Committee was pleased to note that, despite the pressures of the pandemic, there had been significant progress, with improvements in first line accountability, governance structures, quality of management information and proactive efforts made to share clinical governance learning across the Group via a newly established management committee - the Global Clinical Quality Assurance Committee.

People risks

Operational risks associated with employee wellbeing and health and safety were subject to review by the Committee in light of the impact from the pandemic. The Committee noted management's efforts to mitigate pandemic-related workforce risks by introducing measures to support physical and mental health, by providing additional support and advice to employees and to leaders, through enhancing health and safety assessments in light of home working, and by enabling employees to raise issues through targeted communications and survey work.

Increase in stake in Bupa Arabia

In line with its responsibilities to assess the risks of strategic transactions on behalf of the Bupa Board, the Committee endorsed management's proposal to increase the Group's shareholding in Bupa Arabia following a detailed consideration of the risks involved. The Committee convened an additional meeting in June to review the accompanying due diligence undertaken, capital and accounting considerations and the independent opinion of the CRO.

Emerging and strategic risks

The Committee regularly considers emerging and strategic risks, both internal and external, in the context of the current, and expected future, business and market environments in which the Group operates. These risks inform strategy discussions and they can present strategic opportunities as well as threats to be mitigated. The risks considered include the impact of significant changes introduced by governments or regulators, changes in customer behaviours and expectations, significant changes in medical treatments or the way care is provided, digital disruption and climate change. There is significant linkage between these risks, and it is unlikely that any one risk would emerge in isolation.

The potential impact of the pandemic on emerging and strategic risks was subject to thorough review by the Committee during the year in the context of challenges and opportunities in areas such as product design and service delivery, the provision of healthcare and aged care, government and regulatory interaction, and changing working patterns and workforce implications. Changes in societal expectations where ESG matters are concerned were also considered.

Stress and scenario testing

Bupa management carries out stress and scenario tests annually to test the impact of various scenarios on the Group's capital strength, liquidity and profitability. Bupa has carried out more testing activities in 2020, particularly in the earlier stages of the pandemic, to support our planning for, and responses to, the evolving situation. The Committee agreed the scope of the scenarios to be tested during the year and reviewed the results of the tests, supporting the Board in assessing any strategic implications and, in the autumn, using the findings to inform the Bupa Board's review of the Group's strategy. Reverse stress testing, whereby management identified events that would render the business model unviable and assessed the likelihood of those events occurring, was also undertaken by management and reviewed by the Committee.

Stress and scenario testing is designed to test the strength of the Group's three-year base operating plan and also forms part of the Group's Own Risk and Solvency Assessment (ORSA). The Committee is conscious that the Group operates in a more volatile external environment than was previously the case due to increasing political and regulatory risk and the public's changing expectations of the Group's products and services, as well as increasing expectations of the standards of corporate behaviour, all of which will be affected in some way by the experience of the pandemic. The Committee was satisfied that, while these scenarios would have a significant impact on the Group, Bupa could withstand them, with recovery within a reasonable timescale and with appropriate management actions being taken.

Subsidiary governance

The Committee has links with subsidiaries through a rolling programme of attendance by subsidiary risk committee chairs, which provides an update on the areas of focus of their respective committees, as well as details of any specific concerns they wished to raise with the Committee. In addition, there is cross-membership between the Committee and the risk committees of Bupa's major insurance subsidiaries in Australia, the UK and Spain.

The pandemic prevented the full Committee from being able to attend, in person, meetings of the subsidiary insurance risk committees. However, the Committee Chair attended, electronically, subsidiary board risk committee meetings in the UK, Chile, Spain and Australia, and held separate, regular calls with her local counterparts and the regional CROs. The Committee also receives summaries and minutes of the meetings of the risk committees of the Group's major insurance subsidiaries.

First line accountability for risk management
Management continues to embed risk management in the first line of defence. The CRO provides updates at each meeting of the Committee which include his view of management's progress in this area, and the Committee asked members of management to present on key risk issues during the year. In addition, each business sets annual risk objectives to focus on which are validated and monitored by the Bupa Risk Function and reported to the Committee. The Committee is satisfied that senior managers across the Group understand the need to manage risk well but acknowledge that there is further work to do to fully embed this at all levels of the Group.

The Committee has also considered the capability and capacity of the Bupa Risk Function during the year to ensure that it has the right quality and quantity of resources to effectively carry out its assurance role. The Committee was pleased to see activity moving to the first line of defence. Increasing the capacity and capability of the Bupa Risk Function will continue to be important in the coming year.

Other
In addition, the Committee has carried out other business as required under its Terms of Reference including: reviewing and recommending the Group's ORSA to the Bupa Board for approval; reviewing the annual insurance compliance plan; reviewing the modelling of economic capital as part of the Group's annual ORSA process; and approving, or recommending to the Bupa Board (in line with the agreed policy approval schedule of delegation), refreshed enterprise risk policies and risk appetite statements.

Committee effectiveness review
In terms of addressing the actions arising from the external evaluation of the performance of the Bupa Board conducted in 2019, the Committee continues to challenge management to further embed risk management in the first line of defence and is satisfied with management's progress during the year.

The results of the internally facilitated review of the Committee's performance during 2020 were discussed in December and the Committee was satisfied that it was operating effectively. Key themes and proposals for 2021 included further improving links between risk and strategy and maintaining focus on clinical risk, particularly with respect to responding to shared 'lessons learned', including from the experience of the pandemic. The Committee is also keen to encourage continued improvements in the quality of the management information it receives, which will be aided by management's development of collaborative and combined reporting from each of the three lines of defence concerning their assessment of the effectiveness of the Group's systems of internal control and risk management.

Focus for 2021
In 2021, the Committee will continue to focus on:

- maturing risk management accountability in the first line of defence
- overseeing the Group's continued investment in technology capabilities
- embedding clinical governance improvements
- monitoring organisational resilience, and
- further embedding risk management in our ESG agenda

Governance
for the year ended 31 December 2020

Other Statutory Information

The Directors present their report and the audited financial statements for the year ended 31 December 2020. The Governance Report on pages 22 to 39 comprise the Directors' Report.

Insurance and indemnities
Bupa has a directors' and officers' insurance policy in place, together with indemnities for the Directors and certain senior managers, to the extent permitted by English law and the Company's Articles of Association. These cover all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or of any of its subsidiaries. There are no other third-party qualifying indemnity provisions or pension indemnity provisions in place.

Disclosure compliance
The following disclosures required to be contained in the Directors' Report are set out on the pages referred to below and incorporated by reference into this Directors' Report:

Disclosure	Location
Financial instruments	Note 10 page 85
Risk management objectives and policies	Note 25 page 102
Likely future business developments	Strategic Report page 3
Acquisitions and disposals	Note 23 page 99
Financial results	Financial performance page 4
Relationships with suppliers, customers and others	Engaging with our stakeholders page 12

Going concern
The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in operation for the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The going concern assessment in Note 1: Basis of Preparation on page 55 includes information on the Directors' detailed assessment of the Group's status as a going concern. This assessment includes consideration of the impact of COVID-19 on the Group, under both the Directors' best expectations, and under reasonably plausible severe scenarios.

Longer term viability
Bupa's Directors have examined the outlook for Bupa and the Bupa Group as required by Provision 31 of the Code, assessing the Group's ability to operate and meet its liabilities as they fall due over a three-year period.

The Strategic Framework continues to be the force behind Bupa's planning process. Bupa chose a three-year assessment period because it ties in with the internal strategic planning process. The planning considers all important financial and regulatory measures over the period and stresses the key risks facing individual Business Units, as well as global risks that could impact Bupa as a whole. This process shows that the Group remains robust over the current three-year plan period, even under the stressed scenarios examined.

We also conduct 'reverse stress testing' at the Group level which aims to identify hypothetical circumstances that might result in our business model failing and helps our Directors to better understand the Group's risks.

Bupa Group's most recent ORSA considers the level of regulatory capital we require to remain financially stable over the planning period given the nature of the risks we currently face, our strategy and our risk appetite. It takes into account the quantification of the Bupa Group's current risks as defined by the Solvency II Directive and considers the impact of potential stressed scenarios. This assessment concluded that we expect to have sufficient capital assets to continue to meet regulatory requirements over a three-year period.

As part of their assessment of Bupa's viability, Bupa's Directors looked at the Bupa Group's financial performance, capital management, cash flow, solvency and future outlook. Bupa is well capitalised and is expected to remain so over the plan period. The insurance businesses generate cash and are therefore expected to be able to settle liabilities as they fall due. The liquidity position of the Group is expected to remain strong across the three-year period. The forecast assumes that the current £800m revolving credit facility ('RCF') is replaced with a similar facility prior to when it expires in August 2022. The forecast also assumes that a £500m Tier 2 bond maturing in 2023 is refinanced with a similar instrument upon maturity. While that provides some uncertainty to liquidity and solvency capital, there is a considerable period of time before its maturity to plan for its refinancing. The Group's liquidity position has also been considered through the various stressed scenarios, which included the scenario of local regulators restricting the flow of dividends to Group from key insurance subsidiaries. Whilst the forecast liquidity position reduces, only the most severe scenarios would require further management actions which include reducing expenditure, obtaining additional funding or divesting investments or businesses.

Following a review of the key risks and uncertainties set out in the Risk section on page 14, the Directors are satisfied that the Company and the Group have appropriate risk management and governance procedures in place to manage and mitigate these risks over the three-year period. We also identify and report on emerging risks to ensure that they are properly understood and are considered in our future strategic decisions.

The Directors' assessment was carried out with regard to the impact of COVID-19 on the Bupa Group, under both the Directors' current expectations, and under reasonably plausible severe scenarios. Whilst the ongoing pandemic increases the future uncertainty the Bupa Group faces, most notably in respect of the short- to medium-term impacts on the Bupa Group's provision businesses and the longer-term global economic impacts, the Bupa Group's diversified business model supports the viability of the Bupa Group over the period considered.

Based on this analysis, and our regular risk and capital reporting processes, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due throughout the three-year planning period up to 31 December 2023.

Assessment of emerging and principal risks
The principal and significant risks to the Group, and how they are being mitigated, are set out in the Risk section on page 14. The Risk section also describes the Risk Management Framework (RMF) which sets out Bupa's process for the ongoing identification and management of these risks and emerging risks. These are reported to the Bupa Risk Committee on a regular basis through reports from the CRO, and any proposed changes in risk appetite are reviewed by the Bupa Risk Committee and approved by the Bupa Board. The Bupa Risk Committee's report on page 34 explains its activities in relation to emerging risks during the year.

Effectiveness of risk management and internal control systems
In line with the principles set out in the Code, the Bupa Board completed an annual review of the Group's systems of risk management and internal controls in 2020. This review took into consideration the work of the Bupa Board's Audit and Risk Committees during the year, including reports provided to those Committees from the first, second and third lines of defence. In making its assessment, the Bupa Board received and reviewed an integrated assurance report, which set out an overall assessment of the Group's systems of risk management and internal control in 2020. The Bupa Board has concluded that Bupa generally has a sound system of risk management and internal control, with some weaknesses in internal controls which are being addressed by management and monitored by the Bupa Risk and Bupa Audit Committees.

Political donations
Our policy is not to make political donations and we confirm that no political donations were made, nor any political expenditure incurred within the definition contained in Section 364 of the Companies Act 2006 (as amended), during 2020.

Charitable donations
During the year, the Group donated a total of £7.3 million to charitable causes, with £2.1 million being donated to charitable causes in the UK. Of the UK donations, over £1.5 million was donated in grants by the Bupa Foundation, £27,500 to match fundraising by our employees, £26,000 related to employee-nominated community grants, £112,000 in relation to volunteering activities, and a further £224,000 to various other charities. The total donations by the British United Provident Association Limited to the Bupa Foundation was £2 million.

Dividends
The Company paid interim dividends totalling £175 million during the year. No final dividend is proposed.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with IFRS in conformity with the Companies Act 2006 and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant and reliable
- for the Group financial statements state whether they have been prepared in accordance with IFRS as adopted by the EU
- for the Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- assess the Group and Company's ability to continue as a going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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 its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that the Annual Report and financial statements taken as a whole are fair, balanced and understandable and provide the information necessary for AMs to assess the Group's position and performance, business model and strategy.
The Directors have decided to prepare, voluntarily, a Corporate Governance Statement as if the Company was required to comply with the UK Listing Rules, Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

Governance
for the year ended 31 December 2020

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.

Disclosure of information to the External Auditor
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 External Auditor is unaware; and each Director has taken all the steps which they ought to have taken as a Director to make themselves aware of any relevant audit information, and to establish that the Company's External Auditor is aware of that information.

External Auditor appointment
Subject to approval by the Company's shareholder at the 2021 AGM, it is proposed that PwC will be appointed as the Company's auditor with effect from the audit for the financial year ending 31 December 2021. To ensure a smooth transition from KPMG, PwC has shadowed KPMG during the audit of the financial year ended 31 December 2020.

By order of the Board.

Martin Potkins
Director
3 March 2021
Company number: 2779134

Independent auditor's report
for the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BUPA FINANCE PLC

1 Our opinion is unmodified

We have audited the financial statements of Bupa Finance Plc ("the Company") for the year ended 31 December 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and the related notes, including the accounting policies, and the parent company Balance Sheet and Statement of Changes in Equity, and the related notes.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act of 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 8 April 1993. The period of total uninterrupted engagement is for the 28 financial years ended 31 December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£20.0m (2019: £25.6m) 4.0% normalised profit before tax (2019: 3.5% normalised profit before tax)	
Coverage	84% (2019: 83%) of Group profit before tax	
Key audit matters		**vs 2019**
Recurring risks	Goodwill impairment	▲
	Valuation of provisions arising from insurance contracts	▲
	Valuation of freehold and investment properties	◄►
	Parent Company risk: Investment in subsidiaries	▲

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Goodwill impairment (£2,642 million; 2019: £2,571 million) *Refer to Audit Committee Report and Note 3 (for accounting policy and financial disclosures).*	**Forecast based assessment:** The assessment to consider whether impairment losses should be recognised with respect to goodwill is based on discounted cash flow projections. Estimating and discounting the cash flows requires significant judgement. The assumptions requiring the most significant judgement vary by asset or cash generating unit (CGU) as a result of the differences in Bupa's operations and market environments globally. We identified Bupa Dental Care UK, Bupa Chile and Bupa Villages and Aged Care – Australia as the CGUs that were most sensitive to reasonable assumption changes, and at a higher risk of impairment. The key assumptions for these CGUs include the forecast terminal growth rates and discount rates. For the Bupa Dental Care UK CGU, they also include clinician hiring rate; for the Bupa Chile CGU, they also include profit margin improvements, and rebounding of revenue from both the Coronavirus pandemic and social unrest in the region; and for the Bupa Villages and Aged Care – Australia CGU, they include occupancy rates. We consider the risk to have increased in the current year in light of the business and economic disruption caused by the Coronavirus pandemic. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the value in use associated with the recoverability of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3) disclose the sensitivities estimated by the Group.	Our procedures included: — **Our valuation expertise:** using valuation specialists to independently calculate discount rates for individual CGUs and compare that to management's calculations, and for higher risk CGUs comparing implied EBITDA multiples to market peers. — **Historical comparisons:** comparing cash flow forecasts used in the review to historical performance, and challenging where forecasts indicated performance that deviated significantly from historical performance, in the absence of significant changes in the business or market environment. — **Benchmarking assumptions:** comparing the key assumptions of the terminal growth rates and discount rates to externally derived data and our knowledge of sector performance, to evaluate the reasonableness of the Group's assessments. — **Sensitivity analysis:** performing sensitivity analyses on the key assumptions such as terminal growth rate and discount rate, and for specific high risk CGUs, clinician hiring rate, profit margin improvements, rebounding of revenue from both the Coronavirus pandemic and social unrest, and occupancy rates to identify assumptions that the recoverability of the goodwill assets were highly sensitive to. — **Assessing transparency:** We assessed the appropriateness of the disclosures in relation to the sensitivities of the CGU valuations, and whether they reflected the risks inherent in the valuation of goodwill. Having found management's discount rate and cash flow assumptions, which underpin the estimate of recoverable amount, of the Bupa Dental Care UK CGU, to be at the low and high end, respectively, of the ranges we consider to be acceptable, we exercised judgement, based on our assessment of reasonably possible assumptions, as to whether it is acceptable or not to record an impairment, and we exercised judgement to determine the clarity of disclosures of the risk that a reasonable change in assumptions could lead to an impairment. **Our results** — We found the Group's conclusion that there is no impairment of goodwill to be acceptable. (2019: acceptable).
Valuation of provisions arising from insurance contracts (insurance contract liabilities and return of premium provision) (Insurance contract liabilities: £1,083 million; 2019: £865 million. Return of	**Subjective valuation:** The Group's operations include a number of general insurance entities writing health insurance policies primarily in Australia, the UK, Spain, Chile, Turkey, Brazil and Hong Kong. The valuation of insurance contract liabilities requires significant judgement and actuarial expertise.	Our procedures included: — **Control design and implementation:** testing the design and implementation of key controls over the reserving process, including controls over the completeness and accuracy of data supporting key calculations, such as the data in respect of current and historical claims. — **Assessing key assumptions:** evaluating the assumptions used in the valuation of insurance contract liabilities for

	The risk	Our response
premium provision: £145 million; 2019: £nil) *Refer to Audit Committee Report and Note 19.1 (for accounting policy and financial disclosures).*	In the context of our audit, this is also an area of significant audit effort. We consider the risk to have increased in the current year in light of the business and economic disruption caused by the Coronavirus pandemic, which has had a significant impact on the Group's claims profile. Further, in the UK, management has provided for the estimated cost of their commitment to pass back any exceptional financial benefit ultimately arising as a result of the Coronavirus pandemic to its policyholders by establishing a 'return of premium' provision within their provision for unearned premiums. Calculation of the actuarial best estimate and the margin over best estimate uses historical data, which is sensitive to external inputs including claims cost inflation and medical trends, and requires assumptions to be made in respect of current and future experience. Calculation of the return of premium provision in the UK is based on an assumption of future claim experience. Small changes in the assumptions and estimates used to value the insurance contract liabilities and return of premium provision can have a significant impact on the overall liability valuation. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the valuation of provisions arising from insurance contracts has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 19.1) disclose the sensitivity estimated by the Group.	reasonableness, and the UK return of premium provision, considering our understanding of the business, past history of claims settlements including the impact of the Coronavirus pandemic on claims profiles, wider market trends and changing legislation. — **Our actuarial expertise:** working closely with our actuarial specialists, sampling the premiums, claims and other data used in the actuarial models, and reconciling it to the data audited through our testing of these account balances; considering the changes in claims pattens as a result of the Coronavirus pandemic; reviewing the mechanics of the statistical models and claims triangles, including the mathematical accuracy of formula and functioning of automated calculations. — **Sensitivity analysis:** performing sensitivity analyses to assess the adequacy of liabilities in the event of reasonably possible adverse deviations in key assumptions with a particular focus on claims rebounding as a result of the Coronavirus pandemic. — **Independent re-performance:** for a sample of portfolios, selected on the basis of assessed risk of material misstatement, calculating our own estimate of the liability using the Group's data, and comparing to the liability calculated by the Group, and considering the impact of any significant differences. — **Assessing transparency:** assessing whether the disclosures in relation to the valuation of insurance contract liabilities are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions. **Our results** — The results of our testing were satisfactory and we considered the provision arising from insurance contracts to be acceptable (2019: acceptable).
Valuation of freehold and investment properties (freehold property £2,423 million (2019: £2,401 million); and investment property £627 million (2019: £522 million)) *Refer to Audit Committee Report and Notes 4 and 5 (for accounting policy and financial disclosures).*	**Subjective valuation:** The Group revalues its freehold and investment properties, including care homes, dental practices, and hospitals, to fair value on a cyclical basis, with external valuations being performed on at least a triennial basis and retirement villages in New Zealand being subject to an external valuation annually. A full external valuation of freehold and investment properties in Australia and New Zealand were performed as part of the triennial cycle with care homes in Spain being valued due to a	Our procedures included: — **Assessing valuer's credentials:** for properties that were valued externally, principally in the Australia and New Zealand business units and care homes within Spain, critically assessing the qualifications and experience of the external valuers to determine whether they have the knowledge required to perform the valuations. — **Historical accuracy:** challenging the valuation models by comparing past cash flow forecasts to actual performance and using this in the evaluation of the expected accuracy of current cash flow forecasts.

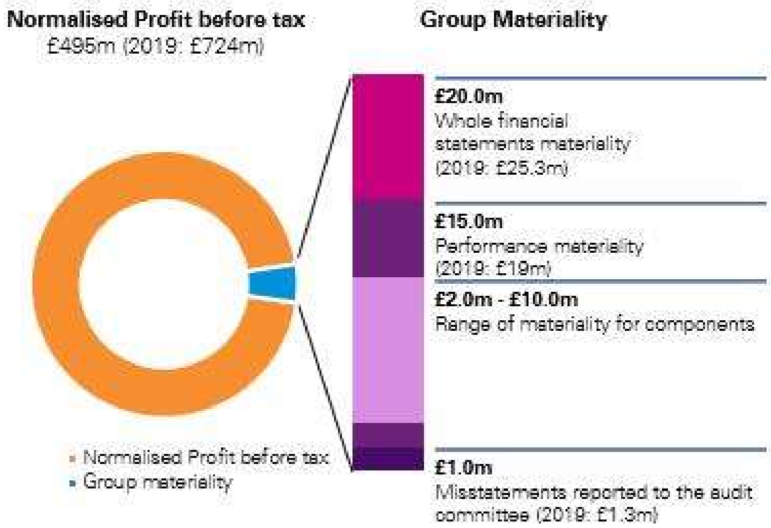
	The risk	Our response
	heightened uncertainty of Coronavirus. These were performed by chartered surveyors during 2020. Directors' valuations were performed for all other properties that were not externally valued. The principal assumptions underpinning the valuation of properties – operating cash flows (including occupancy and discount rates), future profitability, and competitor activity – require significant judgement, whether developed by external valuation specialists or Bupa Directors. A small change in the assumptions and estimates used to value the property could have a significant impact on the overall valuation. *Estimation uncertainty* The effect of these matters is that, as part of our risk assessment, we determined that the valuation of freehold and investment properties has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (notes 4 and 5) disclose the sensitivity estimated by the Group.	— **Our sector experience:** challenging the key assumptions relating to operating cash flows such as occupancy rates and discount rates, as well as reviewing capitalisation rates, useful lives of existing facilities. In critically assessing assumptions we have utilised our own valuation specialists and considered external benchmarks and forecasts as well as reports from external chartered surveyors. — **Assessing transparency:** assessing whether the disclosures in relation to the valuation of freehold and investment properties are compliant with the relevant financial reporting requirements and appropriately present the sensitivities of the valuation to alternative assumptions. **Our results** — We found the valuation of freehold and investment properties to be acceptable (2019: acceptable).
Parent company risk: Recovery of parent company's investment in subsidiaries (£6,192 million; 2019: £6,055 million) *Refer to parent company Note (i) (for accounting policy) and Note C for (for financial disclosures).*	**Forecast based estimates:** The carrying amount of the parent company's investment in subsidiaries represents 96% of the Company's total assets. We consider the risk of impairment to have increased in the current year in light of the business and economic disruption caused by the Coronavirus pandemic. Where value in use models are used to support the carrying value of investments in subsidiaries, we consider their recoverability is at a higher risk of significant misstatement and subject to significant judgement. Furthermore, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: — **Independent re-performance**: Comparing the carrying amount of a sample of the highest value investments, with the relevant subsidiaries' financial information to identify where their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. — **Comparing valuations:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a value in use discounted cashflow. **Our results** — We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2019: acceptable).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

Independent auditor's report (continued)
for the year ended 31 December 2020

In the prior year we included indefinite life intangible assets within our key audit matter around valuation of goodwill. On the basis of materiality and the fact that any impairments to indefinite life intangible assets would first be recognised through goodwill, whilst we continue to perform procedures over material assumptions underpinning the recoverability of these assets, we no long consider them to form part of our key audit matter.

3 Our application of materiality and an overview of the scope of our audit



Materiality for the group financial statements as a whole was set at £20.0 million (2019: £25.3 million), determined with reference to a benchmark of normalised group profit before tax of £495 million, of which it represents 4.0% (2019: normalised group profit before tax of £724 million, 3.5%).

Materiality of £18.0 million (2019: £7.2 million) has been applied to the audit of the parent company financial statements as a whole determined by reference to a benchmark of total assets, limited to be lower than materiality for the group financial statements as a whole and represents 0.3% of the company's total assets (2019: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

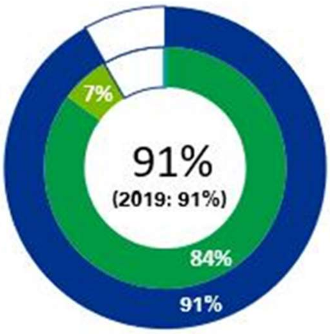
Performance materiality for both the group and parent company was set at 75% (2019: 75%) of materiality for the financial statements as a whole, which equates to £15.0 million (2019: £19.0 million) and £13.5 million (2019: £5.4 million), respectively. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.0 million (2019: £1.3 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

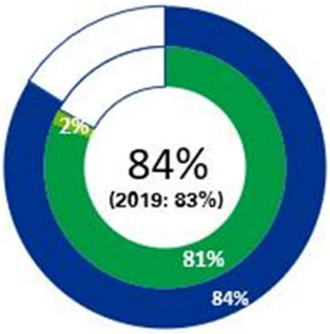
Of the Group's audit components, we subjected 16 (2019: 16), which are comprised of 43 reporting packs (2019: 33), to full scope audits for group purposes. The number of reporting packs covered by the Group's audit components has increased in the year in order to achieve the desired level of coverage.

The components within the scope of our work accounted for the percentages illustrated below.

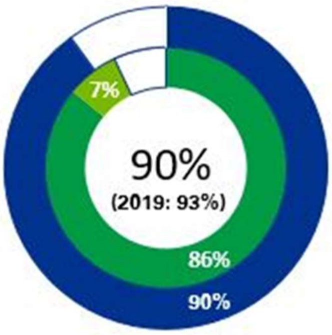
Group revenue

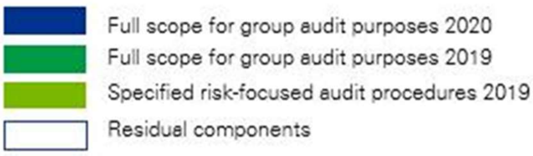


Group profit/ (loss) before tax [1]



Group total assets





[1]These percentages represent the total profits and losses that made up group profit before tax

For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team held a global planning conference with component auditors to identify audit risks and decide how each component team should address the identified audit risks. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £2.0 million to £10.0 million (2019: £7.2 million to £11.5 million), having regard to the mix of size and risk profile of the Group across the components.

Whilst we were unable to perform site visits due to the restrictions imposed as a result of the Coronavirus pandemic, the Group team held video and telephone conference meetings with all component auditors. At these meetings, an assessment was made of audit risk and strategy, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The Group team also routinely reviews the audit documentation of all component audits. Senior staff within the Group and component audit teams also attend Business Unit audit committee meetings to obtain additional understanding, first-hand, of the key risks and audit issues at a component level which may affect the Group financial statements.

The work on 15 of the 16 components was performed by component auditors and work on the remaining component, which represents the audit of the parent company, was performed by the Group team.

4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry and the general economic environment in which it operates to identify the inherent risks in its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the group's and company's available financial resources over this period were:

- Impacts from the Coronavirus pandemic, particularly in the healthcare provision business, to the Group's revenue and operating expenses; and
- inability for the Group to refinance its subordinated debt or access its revolving credit facility.

We also considered less predictable but realistic second order impacts and developments such as a prolonged economic downturn and the resulting wider impacts, which could result in a rapid reduction of available financial resources.

We considered whether these risks could plausibly affect the liquidity, profitability or solvency in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group and Company's financial forecasts.

We considered whether the going concern disclosure in note 1.4 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1.4 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the audit committee, internal audit, head of financial crime, and inspection of key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing" and process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- Reading board, audit committee, and risk committee minutes;
- Considering remuneration incentive schemes and performance targets for Directors; and
- Consulted with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the group and company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to all component audit teams of relevant fraud risks identified at the Group level and requests to these audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risks of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that manual revenue entries are not supported, the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of goodwill and the valuation of provisions arising from insurance contracts.

Consequently, in addition to the risk of management override of controls and fraudulent revenue recognition, we have identified specific fraud risks related to the valuation of goodwill and the valuation of provisions arising from insurance contracts, particularly the return of premium provision in the UK. Further detail in respect of these areas is set out in the key audit matter disclosures in section 2 of this report.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- Identifying journal entries to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other members of management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other members of management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), taxation legislation (including VAT and payroll taxes), and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: financial conduct regulations, healthcare provision conduct regulations, and regulatory capital and liquidity recognising the financial and regulated nature of certain of the Group's activities and certain regulated subsidiaries. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:
- we have not identified material misstatements in Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report which we were engaged to audit are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 38, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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.

Philip Smart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
3 March 2021

Consolidated Income Statement
for the year ended 31 December 2020

	Note	**2020 £m**	2019 £m
Revenues			
Gross insurance premiums	2.1	**8,908**	9,077
Premiums ceded to reinsurers	2.1	**(95)**	(79)
Net insurance premiums earned		**8,813**	8,998
Care, health and other customer contract revenue	2.1	**3,230**	3,287
Other revenue	2.1	**75**	31
Total revenues		**12,118**	12,316
Claims and Expenses			
Insurance claims incurred	2.2	**(6,712)**	(7,239)
Reinsurers' share of claims incurred	2.2	**57**	56
Net insurance claims incurred		**(6,655)**	(7,183)
Share of post-taxation results of equity accounted investments		**56**	48
Impairment of goodwill and intangible assets	3	**(18)**	(449)
Other operating expenses	2.3	**(4,921)**	(4,592)
Other income and charges	2.4	**1**	(42)
Total claims and expenses		**(11,537)**	(12,218)
Profit before financial income and expense		**581**	98
Financial income and expense			
Financial income	2.5	**92**	110
Financial expense	2.5	**(156)**	(162)
Net impairment loss on financial assets		**(15)**	(11)
Net financial expense		**(79)**	(63)
Profit before taxation expense		**502**	35
Taxation expense	2.6	**(117)**	(154)
Profit/(loss) for the financial year		**385**	(119)
Attributable to:			
Shareholder of Bupa Finance plc		**383**	(121)
Non-controlling interests		**2**	2
Profit/(loss) for the financial year		**385**	(119)

Notes 1-28 form part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	2020 £m	2019 (restated)[1] £m
Profit/(loss) for the financial year		**385**	(119)
Other comprehensive income/(expense)			
Items that will not be reclassified to the Income Statement			
Remeasurement losses on pension schemes	7	**(5)**	(2)
Unrealised (losses)/gains on revaluation of property	4	**(5)**	18
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	2.6	**5**	(2)
Items that may be reclassified subsequently to the Income Statement			
Foreign exchange translation differences on goodwill	3	**63**	(109)
Other foreign exchange translation differences		**42**	(186)
Net (loss)/gain on hedge of net investment in overseas subsidiary companies		**(62)**	51
Change in fair value of financial investments through other comprehensive income		**7**	5
Share of other comprehensive income of equity accounted investments		**13**	-
Change in fair value of underlying derivative of cash flow hedge		**-**	1
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	2.6	**2**	(1)
Total other comprehensive income/(expense)		**60**	(225)
Comprehensive income/(expense) for the year		**445**	(344)
Attributable to:			
Shareholder of Bupa Finance plc		**443**	(344)
Non-controlling interests		**2**	-
Comprehensive income/(expense) for the year		**445**	(344)

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Notes 1-28 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	2020 £m	2019 (restated)[1] £m
Goodwill and intangible assets	3	**3,820**	3,786
Property, plant and equipment	4	**4,115**	4,170
Investment property	5	**627**	522
Equity accounted investments	6	**868**	716
Post-employment benefit net assets	7	**1**	2
Restricted assets	8	**149**	117
Financial investments	9	**2,865**	2,331
Derivative assets	10	**61**	59
Deferred taxation assets	11	**49**	44
Current taxation assets		**9**	8
Assets arising from insurance business	12	**1,345**	1,416
Inventories	13	**126**	98
Trade and other receivables	14	**603**	739
Cash and cash equivalents	15	**1,706**	1,234
Assets held for sale	16	**8**	278
Total assets		**16,352**	15,520
Subordinated liabilities	17	**(1,247)**	(1,245)
Other interest-bearing liabilities	17	**(1,191)**	(1,105)
Lease liabilities	18	**(1,010)**	(1,062)
Post-employment benefit net liabilities	7	**(12)**	(7)
Provisions arising from insurance contracts	19.1	**(3,212)**	(2,836)
Derivative liabilities	10	**(77)**	(34)
Provisions for liabilities and charges	20	**(222)**	(176)
Deferred taxation liabilities	11	**(187)**	(277)
Current taxation liabilities		**(134)**	(64)
Other liabilities arising from insurance business	19.2	**(162)**	(146)
Trade and other payables	21	**(2,151)**	(1,898)
Liabilities associated with assets held for sale	16	**(1)**	(193)
Total liabilities		**(9,606)**	(9,043)
Net assets		**6,746**	6,477
Equity			
Share capital	22	**200**	200
Property revaluation reserve		**699**	692
Income and expenditure reserve		**5,542**	5,310
Cash flow hedge reserve		**21**	21
Foreign exchange translation reserve		**266**	237
Equity attributable to shareholder of Bupa Finance plc		**6,728**	6,460
Equity attributable to non-controlling interests		**18**	17
Total equity		**6,746**	6,477

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Approved by the Board of Directors and signed on its behalf on 3 March 2021 by

Martin Potkins

Director

Notes 1-28 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Operating activities			
Profit before taxation expense		**502**	35
Adjustments for:			
Net financial expense		**79**	63
Depreciation, amortisation and impairment		**501**	921
Other non-cash items		**(66)**	(34)
Changes in working capital and provisions:			
Increase in provisions and other liabilities arising from insurance contracts		**442**	17
Decrease/(increase) in assets arising from insurance business		**16**	(25)
Funded pension scheme employer contributions		**(1)**	(1)
Decrease/(increase) in trade and other receivables, and other assets		**35**	(129)
Increase in trade and other payables, and other liabilities		**155**	267
Cash generated from operations		**1,663**	1,114
Income taxation paid		**(153)**	(242)
Increase in cash held in restricted assets	8	**(32)**	(10)
Net cash generated from operating activities		**1,478**	862
Cash flow from investing activities			
Acquisition of subsidiary companies, net of cash acquired		**(25)**	(215)
Investment in equity accounted investments	6	**(109)**	(8)
Dividends received from associates		**-**	13
Divestment in equity accounted investments		**-**	4
Purchase of intangible assets	3	**(114)**	(130)
Purchase of property, plant and equipment	4	**(176)**	(291)
Proceeds from sale of property, plant and equipment		**99**	12
Purchase of investment property	5	**(59)**	(58)
Disposal of investment property		**1**	4
Intercompany dividends paid		**(175)**	-
Purchases of financial investments, excluding deposits with credit institutions		**(1,440)**	(980)
Proceeds from sale and maturities of financial investments, excluding deposits with credit institutions		**1,302**	1,137
Net investment in deposits with credit institutions		**(393)**	(92)
Interest received		**51**	83
Net cash used in investing activities		**(1,038)**	(521)
Cash flow from financing activities			
Proceeds from issue of interest-bearing liabilities and drawdowns on other borrowings		**648**	113
Repayment of interest-bearing liabilities and other borrowings		**(578)**	(30)
Principal repayment of lease liabilities		**(126)**	(114)
Repayment of interest on lease liabilities		**(54)**	(57)
Interest paid[1]	17	**(103)**	(91)
Receipts/(payments) on settlement of hedging instruments		**4**	(35)
Dividends paid		**-**	(154)
Acquisition of non-controlling interests in subsidiary company	23	**-**	(2)
Dividends paid to non-controlling interests		**(1)**	(3)
Net cash used in financing activities		**(210)**	(373)
Net increase/(decrease) in cash and cash equivalents		**230**	(32)
Cash and cash equivalents at beginning of year		**1,451**	1,552
Effect of exchange rate changes		**24**	(69)
Cash and cash equivalents at end of year[2]	15	**1,705**	1,451

1. Includes other bank fees and charges of £3m (2019: £4m).
2. Includes bank overdrafts of £1m (2019: £1m) which are not considered as a component of cash and cash equivalents within note 15 and cash balances classified as held for sale of £nil (2019: £218m).

Notes 1-28 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Note	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to shareholder of Bupa Finance plc £m	Equity attributable to non-controlling interests £m	Total equity £m
2020								
Balance as at 1 January 2020		**692**	**5,310**	**21**	**237**	**6,260**	**17**	**6,277**
Profit for the financial year		**-**	**383**	**-**	**-**	**383**	**2**	**385**
Other comprehensive income/(expense)								
Unrealised loss on revaluation of property	4	**(5)**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Realised revaluation profit on disposal of property		**(8)**	**8**	**-**	**-**	**-**	**-**	**-**
Remeasurement loss on pension schemes	7	**-**	**(5)**	**-**	**-**	**(5)**	**-**	**(5)**
Foreign exchange translation differences on goodwill	3	**-**	**-**	**-**	**63**	**63**	**-**	**63**
Other foreign exchange translation differences		**16**	**(1)**	**-**	**27**	**42**	**-**	**42**
Net loss on hedge of net investment in overseas subsidiary companies		**-**	**-**	**-**	**(62)**	**(62)**	**-**	**(62)**
Share of other comprehensive income of equity accounted investments		**-**	**13**	**-**	**-**	**13**	**-**	**13**
Change in fair value of financial investments through other comprehensive income		**-**	**7**	**-**	**-**	**7**	**-**	**7**
Taxation credit on income and expense recognised directly in other comprehensive income	2.6	**4**	**2**	**-**	**1**	**7**	**-**	**7**
Other comprehensive income for the year, net of taxation		**7**	**24**	**-**	**29**	**60**	**-**	**60**
Total comprehensive income for the year		**7**	**407**	**-**	**29**	**443**	**2**	**445**
Dividends to equity holders of the Company		**-**	**(175)**	**-**	**-**	**(175)**	**-**	**(175)**
Dividends paid to non-controlling interests		**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Balance as at 31 December 2020		**699**	**5,542**	**21**	**266**	**6,528**	**18**	**6,546**
Share capital at the beginning and end of the year								**200**
Balance as at 31 December 2020								**6,746**

Notes 1-28 form part of these financial statements.

Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2020

	Note	Property revaluation reserve £m	Income and expenditure reserve £m	Cash flow hedge reserve £m	Foreign exchange translation reserve £m	Total attributable to shareholder of Bupa Finance plc £m	Equity attributable to non-controlling interests £m	Total equity £m
2019								
Balance as at 1 January 2019, as previously reported		700	5,640	20	464	6,824	20	6,844
Opening balance adjustments	1.5(d)	(3)	(61)	-	-	(64)	-	(64)
Balance as at 1 January 2019, as restated		697	5,579	20	464	6,760	20	6,780
Profit for the financial year		-	(121)	-	-	(121)	2	(119)
Other comprehensive (expense)/income								
Unrealised gain on revaluation of property	4	18	-	-	-	18	-	18
Realised revaluation profit on disposal of property		(2)	2	-	-	-	-	-
Remeasurement loss on pension schemes	7	-	(2)	-	-	(2)	-	(2)
Foreign exchange translation differences on goodwill (restated)[1]	3	-	-	-	(109)	(109)	-	(109)
Other foreign exchange translation differences (restated)[1]		(18)	3	-	(169)	(184)	(2)	(186)
Net gain on hedge of net investment in overseas subsidiary companies		-	-	-	51	51	-	51
Change in fair value of financial investments through other comprehensive income		-	5	-	-	5	-	5
Change in fair value of underlying derivative of cash flow hedge		-	-	1	-	1	-	1
Taxation charge on income and expense recognised directly in other comprehensive income	2.6	(3)	-	-	-	(3)	-	(3)
Other comprehensive (expense)/income for the year, net of taxation		(5)	8	1	(227)	(223)	(2)	(225)
Total comprehensive (expense)/income for the year		(5)	(113)	1	(227)	(344)	-	(344)
Dividends to equity holders of the Company		-	(154)	-	-	(154)	-	(154)
Acquisition of subsidiary companies attributable to non-controlling interests	23	-	(2)	-	-	(2)	-	(2)
Dividends paid to non-controlling interests		-	-	-	-	-	(3)	(3)
Balance as at 31 December 2019		692	5,310	21	237	6,260	17	6,277
Share capital at the beginning and end of the year								200
Balance as at 31 December 2019								6,477

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Notes 1-28 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

1 Basis of preparation

This section describes the significant accounting policies and accounting estimates and judgements that relate to the financial statements and notes as a whole. Where accounting policies relate to a specific note, the applicable accounting policies and estimates are contained within the note.

1.1 Basis of preparation

Bupa Finance plc (the 'Company'), a company incorporated in England and Wales, together with its subsidiaries (collectively the 'Group') is an international healthcare business, providing health insurance, treatment in clinics, dental centres and hospitals, and operating care homes. The immediate and ultimate parent of the Company is The British United Provident Association Limited (the 'Parent' or 'Bupa' and together with its subsidiaries, the 'Bupa Group').

The Group's Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. A summary of IFRS that are relevant for the Group is included on page 135.

The financial statements were approved by the Board of Directors on 3 March 2021. The Directors have reviewed and approved the Group's accounting policies which have been applied consistently to all the years presented, unless otherwise stated. For the purposes of consolidation, the accounting policies of subsidiary companies have been aligned with those of the Company.

The financial statements are prepared on a going concern basis and under the historical cost convention, modified by the revaluation of property, investment property, and financial investments at fair value.

The presentation of line items within the Consolidated Statement of Financial Position is broadly in order of liquidity.

Current assets and liabilities disclosed in the notes to the accounts are those expected to be recovered or settled in less than one year.

1.2 Basis of consolidation

The Consolidated Financial Statements for the year ended 31 December 2020 comprise those of the Company and its subsidiary companies and the share of results of equity accounted investments.

The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences to the date that control ceases. Non-controlling interests in the net assets of subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original acquisition and the non-controlling shareholder's share of changes in equity since this date. Intra-group related party transactions and outstanding balances are eliminated in the preparation of the Consolidated Financial Statements of the Group.

The Consolidated Financial Statements are presented in sterling, which is the Group's presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£m). The functional currency is identified at statutory entity level. These vary across the Group and include sterling, Australian dollar, euro, New Zealand dollar and US dollar. Each Group entity then translates its results and financial position into the Group's presentational currency, sterling, for presentation in the Consolidated Financial Statements.

1.3 Accounting estimates and judgements

The preparation of financial statements requires the use of certain accounting estimates and assumptions that affect the reported assets, liabilities, income and expenses. It also requires management to exercise judgement in applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions are significant to the Consolidated Financial Statements, are set out below and in more detail in the related notes.

Area	Estimates	Note
Goodwill and intangible assets	Goodwill and intangible assets are recognised on business combinations with the latter valued at the date of acquisition at fair value. Goodwill and intangible assets with indefinite lives are tested for impairment on an annual basis; other intangible assets are tested if a trigger of impairment is identified. The key assumptions within this process include the discount rate, terminal growth rate and the forecast cash flows. In the current environment, these are a key source of estimation uncertainty and sensitivities to reasonably possible changes in these assumptions are included in note 3.	3
Property valuations	The Group has a significant portfolio of care home, hospital and office properties. Significant assumptions for freehold properties include average occupancy and capitalisation rates, whereas for investment property key assumptions include discount and capital growth rates.	4,5
Claims provisioning	Expected claims payments and expenses required to settle existing insurance contract obligations. The key assumptions used in the calculation of the outstanding claims provision include claims development, margin of prudence, claims costs inflation, medical trends and seasonality. In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. A deferred claim provision is established on a best estimate basis (plus a risk margin) for these claims where regulatory or other public commitments give rise to a constructive obligation to fund the deferred medical service, even if the service were to postdate a customer's contract period. The key assumption is the estimated cost of deferred claims that are expected to rebound.	19
Unearned premium provisioning	During the year, Bupa Insurance Limited made a commitment to pass back any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19 to customers. This has led to a return of premium provision being held within the unearned premium provision. The key assumption in the calculation is the estimated cost of deferred claims that are expected to rebound.	19
	Judgements	
'Held for sale' classification of potential disposal groups	Assessing whether the sale of businesses is sufficiently probable to require classification as 'held for sale' can require significant judgement.	16
Right-of-use assets and lease liabilities	Key assumptions used in the calculation of right-of-use assets and lease liabilities include determining the lease term and the interest rate used for discounting future cash flows.	18

1.4 Going concern

Following a detailed assessment of the Group's going concern status based on its current position and forecast results, along with actual and potential impacts of COVID-19, the Directors have concluded that the Group has adequate resources to operate for at least the next 12 months from the approval of these financial statements. This assessment considered forecast and reasonably possible adverse changes to the Group's regulatory solvency, liquidity, access to funding and trading profitability over the next 12 months.

With regard to COVID-19, the assessment identified the risks and uncertainties most likely to impact the Group and considered the impact to the Group's businesses under reasonably plausible severe scenarios including more onerous COVID-19 outcomes and associated broader economic impacts. Under such scenarios, significant short-term reductions in profitability arise, however the Group would still remain within its risk appetites for regulatory solvency and liquidity. The Group is expected to retain access to its £800m revolving credit facility ('RCF'), and may draw down on the RCF, which was undrawn at 31 December 2020 (2019: £230m drawn) in order to meet liquidity needs. Additional management actions would allow the downside impact to be further mitigated by reducing expenditure, obtaining additional funding or divesting investments or businesses. Therefore the Directors do not consider that COVID-19 changes the conclusion of the Group's going concern assessment.

Details of the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 9 to 11.

1.5 Changes in accounting policies

Except for the changes detailed in (a) to (c) below, the Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements.

(a) IFRS Interpretations Committee decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes)'

In April 2020, the IFRS Interpretations Committee ('IFRS IC') published its final agenda decision 'Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes)'. The agenda item considered how an entity accounts for deferred taxes on an asset that has two distinct tax consequences over its life which cannot be offset (taxable economic benefits from use and capital gains on disposal or expiry). The IFRS IC concluded that in these circumstances an entity identifies separate temporary differences (and deferred taxes) that reflect the distinct and separate tax consequences of recovering the asset's carrying amount.

Previously, the Group measured deferred taxes by considering the use and disposal of the asset as one simultaneous manner of recovering the carrying amount of the bed licences held in Bupa Villages and Aged Care – Australia. Taking into account the IFRS IC decision, the Group amended its policy to take into account the multiple consequences of recovery. This policy change has been implemented on a retrospective basis. As the deferred tax liability would have initially been recognised on acquisition, goodwill has been adjusted for the impact of this change.

The impacts of the change in accounting policy for the comparative reporting period and the beginning of the earliest period presented are shown below.

	31 December 2019	1 January 2019
	£m	£m
Goodwill and intangible assets	27	29
Deferred taxation liabilities	(27)	(29)
Total impact on net assets	-	-

The movement of £2m in the above balances relates to foreign exchange differences. This has led to a restatement of 'Foreign exchange translation differences on goodwill' of £(2)m and 'Other foreign exchange translation differences' of £2m in both the Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity for the year ended 31 December 2019.

(b) Covid-19-Related Rent Concessions (Amendment to IFRS 16)

In May 2020, the International Accounting Standards Board ('IASB') issued 'Covid-19-Related Rent Concessions', which amended IFRS 16 and became effective immediately. The amendment provides a practical expedient to lessees allowing certain COVID-19 rent concessions to be accounted for as variable lease payments as opposed to lease modifications. The application of this amendment had an immaterial impact on the Group.

(c) Other amendments

'Definition of a Business (Amendments to IFRS 3)', 'Definition of Material (Amendments to IAS 1 and IAS 8)' and 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' were effective from 1 January 2020 but had no immediate impact on the Group.

(d) 2019 transitional impacts

The Group adopted IFRS 16 with a date of initial application of 1 January 2019. For the majority of leases, the Group applied IFRS 16 using the modified retrospective approach, where the right-of-use assets equal the lease liabilities on transition, adjusted by the amount of any prepayments, intangible assets and onerous lease provisions. For a small proportion of leases, the modified retrospective approach for the right-of-use asset was determined as if IFRS 16 had been applied since the lease commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. The cumulative impact of initially applying IFRS 16 was recognised as an adjustment to the opening balance of retained earnings.

On transition to IFRS 16 on 1 January 2019, leases previously classified as finance leases under IAS 17 were recognised as a right-of-use asset and lease liability based on the carrying amount of the finance lease asset and liability as at 31 December 2018. These leases are subsequently measured under IFRS 16 principles. Other reclassifications related to previously recognised lease intangible assets/liabilities arising on business combinations due to favourable/unfavourable lease terms, prepayments and accruals, which were all reclassified to the right-of-use asset on transition.

The impact of implementing IFRS 16 on 1 January 2019 is set out below.

	Measurement adjustments	Reclassifications	Total
	£m	£m	£m
Goodwill and intangible assets	-	(18)	(18)
Property, plant and equipment (right-of-use assets)	1,017	28	1,045
Property, plant and equipment (leasehold property/equipment)	-	(11)	(11)
Investment property (right-of-use asset)	-	2	2
Deferred taxation assets	13	-	13
Trade and other receivables	-	(23)	(23)
Other interest-bearing liabilities	-	4	4
Lease liabilities	(1,094)	(1)	(1,095)
Trade and other payables	-	19	19
Total impact on net assets	(64)	-	(64)

In addition, £3m was reclassified from the property revaluation reserve to the income and expenditure reserve as a result of reclassifying finance leased property assets to right-of-use assets on implementation of IFRS 16.

1.6 Forthcoming financial reporting requirements

The following financial reporting standards, amendments and interpretations have been issued but are not effective for the year ended 31 December 2020 and have not been early adopted by the Group.

(a) IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts, with amendments to IFRS 17 issued in June 2020. The final standard will be effective for annual periods beginning on or after 1 January 2023

IFRS 17 requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ('CSM') representing the unearned profit of the contract which is recognised as revenue over the coverage period. However, an optional, simplified premium allocation approach, similar in nature to the Group's existing measurement basis, is permitted for short-duration contracts.

The detailed application of IFRS 17 is currently being evaluated by the Group. It is expected that the simplified premium allocation approach option will be available for the majority of the Group's insurance contracts, so a significant change in the measurement basis is not anticipated. The presentation and disclosure requirements of IFRS 17 will, however, differ considerably compared to the current approach.

(b) IAS 16 amendments
The IAS has issued 'Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)' which would prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced by using or testing that item of property, plant and equipment while it is being prepared for its intended purpose. These amendments are effective from 1 January 2022. These are not expected to have a material impact to the Group.

(c) IFRS 9 amendments
'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9)' was issued by the IASB to clarify that an entity should only include related fees paid/received between the borrower and lender when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability in determining whether to derecognise a financial liability. The amendment is effective from 1 January 2022. The amendment is not expected to have a material impact to the Group.

(d) IFRS 1 amendment
The IASB issued 'Subsidiary as first time adopter (Amendment to IFRS 1)' to permit a subsidiary that produces consolidated financial statements to measure cumulative translation differences for all foreign operations using the amounts reported by the parent, based on the parent's date of transition to IFRSs. The amendment is effective from 1 January 2022. This amendment is not expected to have any impact to the Group.

(e) IFRS 3 amendments
'Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)' was issued by the IASB effective from 1 January 2022. These amendments are intended to update IFRS 3 to refer to the latest conceptual framework without changing its requirements. These amendments are not expected to have a material impact to the Group.

(f) IAS 37 amendments
'Onerous Contracts - cost of Fulfilling a Contract (Amendments to IAS 37)' was issued by the IASB to clarify that the 'cost of fulfilling' a contract for the purpose of assessing whether that contract is onerous includes both the incremental costs and an allocation of other costs that relate directly to the contract. The amendments are effective from 1 January 2022 and are not expected to have a material impact to the Group.

(g) IAS 1 amendment
The IASB issued 'Classification of Liabilities as Current or Non-current (Amendment to IAS 1)' to clarify that for a liability to be non-current, an entity must have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments are effective 1 January 2023. This amendment is not expected to have a material impact to the Group.

(h) IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 interest rate benchmark reform
In August 2020, the IASB issued 'Interest Rate Benchmark Reform—Phase 2' which amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases relating to: changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; hedge accounting; and disclosures. The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships. These amendments were effective from 1 January 2021 and have no immediate impact to the Group.

2 Operating segments

The organisational structure of the Group is managed through three Market Units based on geographic locations and customers: Australia and New Zealand; Europe and Latin America; and Bupa Global and UK. Management monitors the operating results of the Market Units separately to assess performance and make decisions about the allocation of resources. Bupa Hong Kong, Bupa China and the Group's associate investments, Bupa Arabia and Max Bupa are reported within Other businesses. The segmental disclosures below are reported consistently with the way the business is managed and reported internally.

Reportable segments	Services and products
Australia and New Zealand	Bupa Health Insurance: Health insurance, international health cover in Australia.
	Bupa Health Services: Health provision services relating to dental, optical, audiology and medical assessments and therapy.
	Bupa Villages and Aged Care - Australia: Nursing, residential and respite care.
	Bupa Villages and Aged Care - New Zealand: Nursing, residential, respite care and residential villages.
Europe and Latin America	Sanitas Seguros: Health insurance and related products in Spain.
	Sanitas Dental: Insurance and dental services through clinics and third-party networks in Spain.
	Sanitas Hospitales and New Services: Management and operation of hospitals and health clinics in Spain.
	Sanitas Mayores: Nursing, residential and respite care in care homes and day centres in Spain.
	LuxMed: Medical subscriptions, health insurance, and the management and operation of diagnostics, health clinics and hospitals in Poland.
	Bupa Acıbadem Sigorta: Domestic health insurance in Turkey.
	Bupa Chile: Domestic health insurance and the management and operation of health clinics and hospitals in Chile.
	Care Plus: Domestic health insurance in Brazil.
	Bupa Mexico: Domestic health insurance in Mexico.
	Bupa Global Latin America: International health insurance.
Bupa Global and UK	Bupa UK Insurance: Domestic health insurance, and administration services for Bupa health trusts.
	Bupa Dental Care UK: Dental services and related products.
	Bupa Care Services: Nursing, residential, respite care and care villages.
	Bupa Health Services: Clinical services, health assessment related products and management and operation of a private hospital.
	Bupa Global: International health insurance to individuals, small businesses and corporate customers.
Other businesses	Bupa Hong Kong: Domestic health insurance, primary healthcare and day care clinics including diagnostics.
	Bupa China: Clinical services.
	Associates: Bupa Arabia (Kingdom of Saudi Arabia) and Max Bupa (India): Health insurance.

A key performance measure of operating segments utilised by the Group is underlying profit. This measurement basis distinguishes underlying profit from other constituents of the IFRS reported profit before taxation not directly related to the trading performance of the business.

Underlying profit

The following items are excluded from underlying profit:

- Impairment of intangible assets and goodwill arising on business combinations - impairment reviews are performed at least annually. Goodwill impairments are considered to be one-off and not reflective of the in-year trading performance of the business.
- Net gains/losses on disposal of businesses and transaction costs on business combinations - gains/losses on disposal of businesses that are material and one-off in nature to the reportable segment are not considered part of the continuing business. Transaction costs that relate to material acquisitions or disposals are not related to the ongoing trading performance of the business.
- Net property revaluation gains/losses – short-term fluctuations which would distort underlying trading performance. Includes unrealised gains or losses on investment properties, deficit on revaluations and property impairment losses.
- Realised and unrealised foreign exchange gains/losses – short-term fluctuations outside of management control, which would distort underlying trading performance.
- Gains/losses on return-seeking assets, net of hedging – fluctuations on investments that are not considered to be directly related to underlying trading performance.
- Other Market Unit/Group non-underlying items – includes items that are considered material to the reportable segment or Group and are not reflective of ongoing trading performance.

The total underlying profit of the reportable segments is reconciled below to profit before taxation expense in the Consolidated Income Statement.

(i) Revenues

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Gross insurance premiums	**3,668**	3,731	**2,658**	2,685	**2,200**	2,295	**382**	366	**8,908**	9,077
Premiums ceded to reinsurers	**-**	-	**(24)**	(21)	**(68)**	(57)	**(3)**	(1)	**(95)**	(79)
Internal reinsurance	**-**	-	**-**	1	**48**	49	**(48)**	(50)	**-**	-
Net insurance premiums earned	**3,668**	3,731	**2,634**	2,665	**2,180**	2,287	**331**	315	**8,813**	8,998
Care, health and other customer contract revenue	**1,023**	906	**1,124**	1,184	**932**	1,028	**151**	169	**3,230**	3,287
Other revenue	**46**	15	**7**	4	**10**	8	**12**	4	**75**	31
Total revenues for reportable segments	**4,737**	4,652	**3,765**	3,853	**3,122**	3,323	**494**	488	**12,118**	12,316
Consolidated total revenues									**12,118**	12,316

(ii) Segmental result

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Underlying profit for reportable segments[1]	**137**	185	**207**	178	**122**	131	**63**	49	**529**	543
Central expenses and net interest margin									**(49)**	(18)
Consolidated underlying profit before taxation expense									**480**	525
Non-underlying items:										
Impairments of intangible assets and goodwill arising on business combinations	**-**	(177)	**(1)**	(24)	**-**	(242)	**(11)**	-	**(12)**	(443)
Net gain/(loss) on disposal of businesses and transaction costs on business combinations[2]	**-**	-	**26**	(26)	**(27)**	(3)	**-**	-	**(1)**	(29)
Net property revaluation gain/(loss)	**30**	9	**-**	(1)	**(4)**	(2)	**-**	-	**26**	6
Realised and unrealised foreign exchange loss[3]	**-**	-	**-**	(6)	**(2)**	(17)	**-**	-	**(2)**	(23)
Other Market Unit non-underlying items[4]	**-**	-	**-**	-	**(7)**	-	**-**	-	**(7)**	-
Group non-underlying items[5]									**3**	(29)
Gains on return-seeking assets, net of hedging									**15**	28
Total non-underlying items									**22**	(490)
Consolidated profit before taxation expense									**502**	35

1. Underlying profit for reportable segments includes share of post-taxation results of equity accounted investments. Other businesses includes Bupa Arabia and Max Bupa. Bupa Global and UK includes Highway to Health. For further information please refer to note 6.
2. Net loss on disposal of businesses and transaction costs on business combinations includes £26m relating to the reclassification of a provision business in the Europe and Latin America segment out of held for sale and £26m in Bupa Global and UK relating to ongoing completion costs in respect of the disposal of UK care homes. 2019 includes £26m loss recognised upon classification of the same provision business in Europe and Latin America as held for sale.
3. Includes the FX impact of treating unearned premiums and deferred acquisition costs as a monetary item.
4. Includes £7m relating to restructuring costs in the Bupa Global and UK segment.
5. 2019 includes a £20m impairment of an investment following the termination of the Group's commercial relationship with that company.

(iii) Other information

The Market Unit segmental results set out in table (ii) above include the following material non-cash items:

	Australia and New Zealand		Europe and Latin America		Bupa Global and UK		Other businesses		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Amortisation and depreciation costs for reportable segments	**(122)**	(121)	**(182)**	(175)	**(130)**	(131)	**(38)**	(39)	**(472)**	(466)
Unrealised gain on investment property	**25**	25	**-**	-	**-**	-	**-**	-	**25**	25
Surplus/(deficit) on revaluation of property	**5**	(16)	**-**	(1)	**(4)**	(2)	**-**	-	**1**	(19)
Share of profits from associates	**-**	-	**-**	-	**1**	6	**55**	42	**56**	48

(iv) Geographical information

The following information has been provided based on the geographical location of the business:

	Australasia		United Kingdom		Spain		Rest of the world		Total	
	2020 £m	2019[2] £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019[2] £m
Total revenues	**4,737**	4,652	**2,868**	3,099	**1,722**	1,687	**2,791**	2,878	**12,118**	12,316
Consolidated non-current assets (by geography)[1]	**3,569**	3,392	**3,331**	3,241	**842**	835	**1,719**	1,764	**9,432**	9,232

1. Consolidated non-current assets excludes financial investments, restricted assets, assets arising from insurance business, deferred taxation assets and post-employment benefit net assets.
2. The Australasia 2019 balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

2.1 Revenues

The Group generates revenues from its underwriting activities (Insurance premiums), trading activities through the provision of healthcare and insurance management services (Care, health and other customer contract revenue) and rental income and other fees (Other).

Revenue stream	Recognition policy
Insurance premiums	**Gross insurance premiums** Gross insurance premiums represent the premiums earned relating to risk exposure for the reported financial year. They comprise gross premiums written, adjusted for the change in provision for unearned premiums that relates to periods of risk in subsequent financial years. Premiums are shown gross of commission payable and net of insurance premium taxes that may apply in certain jurisdictions. In circumstances where a return of premiums is likely to be due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium is treated as an adjustment to the initial premium, reducing gross insurance premiums. **Premiums ceded to reinsurers** Premiums ceded to reinsurers represent reinsurance premiums payable for contracts entered into that relate to risk mitigation for the reported financial year. These comprise written premiums ceded to reinsurers, adjusted for the reinsurers' share of the movement in the gross provision for unearned premiums. Premiums, losses and other amounts relating to reinsurance treaties are recognised over the period from inception of a treaty to expiration of the related business.
Care, health and other customer contract revenue	The Group generates income from fees receivable from the operation of its care homes, hospitals, dental centres and other healthcare and wellbeing centres. In instances where Bupa is acting as an agent and another party is primarily responsible for fulfilling the contract, revenue is recognised on a net basis. When considering whether the Group is acting as an agent or as a principal, factors such as which party is primarily responsible for fulfilling the obligation, bears the inventory and credit risk and has discretion in establishing prices are considered. In the majority of cases, significant judgement is not required. The revenue streams typically relate to short-term services that have fixed, rather than variable, transaction prices and there is generally no significant judgement required when considering the time pattern of revenue recognition. Payment terms vary from completion of the service, to payments made monthly in advance. Bupa has the right to bill and receive payment for services rendered to date. The Sanitas Hospitales and New Services revenue stream includes one public hospital in Spain that is operated under a separate service concession arrangement granted by the local government (the grantor). Revenue is recognised from the construction of infrastructure and from the operation of the hospital. Construction revenues are recognised in line with the stage of completion of the work performed. Operational revenues are recognised in the period in which the services are provided, based on the average operating margin for the life of the contract. As revenue is based on an expected margin, with some potential variability, revenue is only recognised to the extent that it is highly probable a significant reversal will not occur when the uncertainty is resolved. Other customer contract revenue includes contracts entered into by the Group's insurance entities that do not result in the transfer of significant insurance risk to the Group and are accounted for as service contracts. These contracts mainly relate to the administration of claims funds on behalf of corporate customers. Revenues from service contracts are recognised as the services are provided. Some of these contracts contain financial liabilities representing deposits repayable to the customer. These are measured at amortised cost.
Other	Other revenue is earned mainly from rental income and amenities fees from Occupation Right Agreements. Revenue is recognised on a straight-line basis over the term of the arrangement. During 2020 other revenue also includes government funding received in response to COVID-19, most notably in Bupa Health Services, Australia, Bupa Villages and Aged Care – Australia and Hong Kong.

Revenue for the year has been analysed at Business Unit level, reflecting the nature of services provided by geography that is reported internally to management.

From 2020 Bupa Global Latin America has been split to report business in Brazil and Mexico separately. Comparatives have been restated accordingly.

Notes to the Consolidated Financial Statements (continued)
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	Care, health and other customer contract revenue 2020 £m	Net insurance premiums earned 2020 £m	Other revenue 2020 £m	Total revenues 2020 £m
Bupa Health Insurance	**6**	**3,668**	**-**	**3,674**
Bupa Health Services	**562**	**-**	**23**	**585**
Bupa Villages and Aged Care - Australia	**313**	**-**	**11**	**324**
Bupa Villages and Aged Care - New Zealand	**142**	**-**	**12**	**154**
Australia and New Zealand	**1,023**	**3,668**	**46**	**4,737**
Sanitas Seguros	**8**	**1,203**	**1**	**1,212**
Sanitas Dental	**82**	**66**	**2**	**150**
Sanitas Hospitales and New Services	**220**	**-**	**1**	**221**
Sanitas Mayores	**136**	**-**	**-**	**136**
LuxMed	**407**	**12**	**1**	**420**
Bupa Acıbadem Sigorta	**-**	**179**	**-**	**179**
Bupa Chile	**259**	**687**	**1**	**947**
Care Plus	**1**	**176**	**-**	**177**
Bupa Mexico	**-**	**15**	**-**	**15**
Bupa Global Latin America	**11**	**296**	**1**	**308**
Europe and Latin America	**1,124**	**2,634**	**7**	**3,765**
Bupa UK Insurance	**16**	**1,430**	**4**	**1,450**
Bupa Dental Care UK	**389**	**-**	**-**	**389**
Bupa Care Services	**389**	**-**	**-**	**389**
Bupa Health Services	**138**	**-**	**1**	**139**
Bupa Global	**-**	**750**	**5**	**755**
Bupa Global and UK	**932**	**2,180**	**10**	**3,122**
Hong Kong	**151**	**331**	**6**	**488**
Other	**-**	**-**	**6**	**6**
Other businesses	**151**	**331**	**12**	**494**
Consolidated total revenues	**3,230**	**8,813**	**75**	**12,118**

	Care, health and other customer contract revenue (restated) 2019 £m	Net insurance premiums earned (restated) 2019 £m	Other revenue 2019 £m	Total revenues 2019 £m
Bupa Health Insurance	8	3,731	2	3,741
Bupa Health Services	428	-	-	428
Bupa Villages and Aged Care - Australia	330	-	-	330
Bupa Villages and Aged Care - New Zealand	140	-	13	153
Australia and New Zealand	906	3,731	15	4,652
Sanitas Seguros	8	1,149	1	1,158
Sanitas Dental	83	62	1	146
Sanitas Hospitales and New Services	230	-	1	231
Sanitas Mayores	148	-	-	148
LuxMed	383	10	-	393
Bupa Acıbadem Sigorta	-	185	-	185
Bupa Chile	330	744	1	1,075
Care Plus	2	205	-	207
Bupa Mexico	-	15	-	15
Bupa Global Latin America	-	295	-	295
Europe and Latin America	1,184	2,665	4	3,853
Bupa UK Insurance	15	1,537	3	1,555
Bupa Dental Care UK	454	-	1	455
Bupa Care Services	408	-	-	408
Bupa Health Services	150	-	1	151
Bupa Global	1	750	3	754
Bupa Global and UK	1,028	2,287	8	3,323
Hong Kong	169	315	-	484
Other	-	-	4	4
Other businesses	169	315	4	488
Consolidated total revenues	3,287	8,998	31	12,316

1. 2019 amounts have been restated to report business in Brazil (Care Plus) and Mexico separately from the rest of the Bupa Global Latin America business.

Analysis of net insurance premiums earned

	2020 £m	2019 £m
Gross premiums written	**8,909**	9,097
Change in gross provisions for unearned premiums	**(1)**	(20)
Gross insurance premiums	**8,908**	9,077
Gross premiums written ceded to reinsurers	**(97)**	(78)
Reinsurers' share of change in gross provisions for unearned premiums	**2**	(1)
Premiums ceded to reinsurers	**(95)**	(79)
Net insurance premiums earned	**8,813**	8,998

2.2 Insurance claims

Insurance claims relate to the Group's insurance underwriting activities. Insurance claims incurred are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured medical service that the Group has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. In 2020, this includes amounts in relation to claims episodes that have not taken place by the reporting date where the Group has a constructive obligation to fund deferred medical services, due to regulatory or other public commitments following periods of severe service disruption, as has been the case with COVID-19. This constitutes a change in accounting estimate in response to the exceptional circumstances that have arisen during the pandemic.

Insurance claims incurred comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period (which includes a deferred claims provision solely in respect of the Australian health insurance business as at 31 December 2020) and the Risk Equalisation Special Account levy for the Australian health insurance business. See note 19 for details of the claims provision.

Private health insurers in Australia provide private health insurance cover through a community rated scheme. To avoid adverse selection and ensure the Australian private health insurance scheme is sustainable, a risk equalisation mechanism operates to subsidise insurers with higher risk policyholders.

Reinsurers' share of claims incurred
Reinsurers' share of claims incurred represents recoveries from reinsurers on claims paid, adjusted for the reinsurers' share of the change in the gross provision for claims.

See note 12 for the related balance sheet item.

	2020 £m	2019 £m
Insurance claims paid	**6,576**	7,316
Change in gross provisions for claims[1]	**206**	3
Risk Equalisation Special Account levy (net of recoveries)	**(70)**	(80)
Insurance claims incurred	**6,712**	7,239
Recoveries from reinsurers on claims incurred	**(58)**	(56)
Reinsurers' share of change in gross provisions for claims	**1**	-
Reinsurers' share of claims incurred	**(57)**	(56)
Net insurance claims incurred	**6,655**	7,183

1. Change in gross provisions for claims includes £163m in respect of the deferred claims provision recognised at 31 December 2020.

2.3 Other operating expenses

Other operating expenses include staff costs, medical supplies, overheads, depreciation, amortisation of intangible assets, and gains or losses on foreign exchange transactions incurred as a consequence of operating our business. Costs in relation to handling claims are included within insurance claims.

Operating expenses exclude insurance claims, finance costs and taxation.

Other operating expenses

	Note	**2020 £m**	**2019 £m**
Staff costs	2.3.1	**2,186**	2,002
Acquisition costs	2.3.2	**447**	396
Medical supplies and fees		**997**	985
Property costs		**239**	217
Lease rentals and other expenses[1]		**16**	20
Marketing costs		**107**	100
Catering and housekeeping costs		**57**	58
Consultancy fees		**117**	106
Net loss on foreign exchange transactions		**-**	2
Amortisation of intangible assets	3	**141**	148
Depreciation expense	4	**332**	324
Other operating expenses (including auditors' remuneration)	2.3.3	**282**	234
Total other operating expenses		**4,921**	4,592

1. Includes short-term and low value lease rentals, and other lease expenses.

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2.3.1 Staff costs

The below table represents the total employee benefit expenses incurred by the Group during the year.

	2020 £m	2019 £m
Wages and salaries	**2,169**	2,012
Social security costs	**124**	118
Contributions to defined contribution schemes	**37**	35
Other pension costs	**7**	5
Total staff costs	**2,337**	2,170
Staff costs relating to claims handling reported in claims	**(151)**	(168)
Staff costs in operating expenses	**2,186**	2,002

Employee numbers

The average number of employees, including Executive Directors, employed by the Group during the year was:

	2020	2019
Australia and New Zealand[1]	**16,716**	16,212
Europe and Latin America	**37,154**	37,358
Bupa Global and UK	**22,076**	22,268
Other businesses	**1,640**	1,579
Total average employee numbers	**77,586**	77,417

1. Australia and New Zealand 2019 average number of employees has been restated.

Directors' remuneration

	2020 £'000	2019 £'000
Emoluments	**1,893**	1,973
Company contributions to defined contribution pension schemes	**42**	53
Amounts receivable under long-term incentive schemes	**706**	2,083
Total	**2,641**	4,109
The remuneration of the highest paid Director was:		
Emoluments	**507**	887
Company contributions to defined contribution pension schemes	**-**	-
Amounts receivable under long-term incentive schemes	**299**	1,382
Total	**806**	2,269

There are no Directors who are members of a Bupa defined benefit pension scheme (2019: nil).

2.3.2 Acquisition costs

	2020 £m	2019 £m
Commission for direct insurance	**355**	349
Other acquisition costs paid	**69**	73
Changes in deferred acquisition costs	**23**	(26)
Total acquisition costs	**447**	396

The movement in the deferred acquisition cost asset is detailed in note 12.

2.3.3 Auditor's remuneration

	2020 £m	2019 £m
Audit fees for audit of Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditor and its associates for:		
Audit fees for audit of Company's subsidiaries required by legislation	**6.9**	6.2
Audit fees for audit-related assurance services	**1.0**	0.7
Audit fees to the Company's auditors	**8.0**	7.0
Fees payable to the Company's auditor and its associates for other services:		
Corporate finance services and related services	**-**	3.5
All other non-audit services	**0.2**	0.4
Total non-audit fees	**0.2**	3.9
Total auditor's remuneration	**8.2**	10.9

All services provided by KPMG during the year were in compliance with the Group's non-audit services policy and approved by the Audit Committee.

2.4 Other income and charges

Other income and charges comprise income or expenses that are related to the investing and divesting activities of the Group.

	Note	2020 £m	2019 £m
Net loss on disposal and restructuring of businesses[1]		**(1)**	(24)
Surplus/(deficit) on revaluation of property	4	**1**	(19)
Net gain on disposal of property, plant and equipment		**1**	1
Total other income and charges		**1**	(42)

1. Net loss on disposal and restructuring of businesses includes a £26m gain relating to the reclassification of a provision business in the Europe and Latin America segment out of held for sale and losses of £26m in Bupa Global and UK relating to ongoing completion costs in respect of the disposal of UK care homes. In 2019, this line included a £26m loss recognised on classification of a provision business in the Europe and Latin America segment to held for sale.

2.5 Financial income and expense

Financial income and expenses are earned/(incurred) from the Group's financial assets and liabilities, and non-financial assets such as investment property.

Financial income
Interest income is recognised in the Consolidated Income Statement, using the effective interest method.

Changes in the value of financial assets at fair value through profit or loss are recognised within financial income as an unrealised gain or loss while the asset is held. Upon derecognition of these assets, the cumulative unrealised gains or losses are reversed and a realised gain or loss is recognised.

Changes in the value of debt instruments at fair value through other comprehensive income are recognised in other comprehensive income as an unrealised gain or loss. The cumulative gain or loss recognised in the income and expenditure reserve is reclassified to realised gains or loss in the Consolidated Income Statement when the financial asset is derecognised.

	Note	2020 £m	2019 £m
Interest income:			
Investments at fair value through profit or loss		**21**	28
Investments at fair value through other comprehensive income		**2**	1
Investments at amortised cost		**28**	51
Net realised gains/(losses):			
Net realised (losses)/gains on investments designated at fair value through profit or loss		**(3)**	9
Net realised gains on financial investments designated at fair value through other comprehensive income		**5**	-
Net increase in fair value:			
Investments at fair value through profit or loss		**13**	13
Investment property	5	**25**	25
Net foreign exchange translation gains/(losses)		**1**	(17)
Total financial income		**92**	110

Included within financial income is a net gain, after economic hedging, on the Group's return-seeking asset portfolio of £15m (2019: £28m).

Financial expense
Interest payable on borrowings is calculated using the effective interest method.

Finance charges in respect of leases and restoration provisions are charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

	2020 £m	2019 £m
Interest expense on financial liabilities at amortised cost	**98**	100
Finance charges in respect of leases and restoration provisions[1]	**55**	58
Other financial expenses	**3**	4
Total financial expenses	**156**	162

2.6 Taxation expense

Taxation expense on the profit for the year comprises current and deferred taxation and considers foreign taxation, double taxation relief and absorbs adjustments in respect of prior periods.

Income taxation is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in the Consolidated Statement of Comprehensive Income.

(i) Recognised in the Consolidated Income Statement

Current taxation is the expected taxation payable on the taxable profit for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustments to taxation payable in respect of previous years.

The Group is subject to taxation audits in the territories in which it operates and considers each issue on its merits when deciding whether to hold a provision against the potential tax liability that may arise. However, the amount that is ultimately paid could differ from the amount initially recorded and this difference is recognised in the period in which such a determination is made.

	2020 £m	2019 £m
Current taxation expense		
UK taxation on income for the year	**21**	20
UK taxation adjustments in respect of prior periods	**5**	19
Total UK current taxation expense	**26**	39
Double taxation relief	**(8)**	(9)
Foreign taxation on income for the year	**209**	127
Foreign taxation adjustments in respect of prior years	**(15)**	4
Total foreign current taxation expense	**194**	131
Total current taxation	**212**	161
Deferred taxation income		
Origination and reversal of temporary differences	**(109)**	(8)
Adjustments in respect of prior periods	**10**	2
Changes in taxation rates	**4**	(1)
Total deferred taxation	**(95)**	(7)
Taxation expense	**117**	154

(ii) Reconciliation of effective taxation rate

	2020 £m	2019 £m
Profit before taxation expense	**502**	35
UK corporation taxation rate	**19%**	19%
Tax at the UK corporation taxation rate	**95**	7
Effects of recurring taxation reconciliation items:		
Different taxation rates in foreign jurisdictions	**27**	7
Deductions not allowable for taxation purposes	**28**	35
Income not taxable or taxable at concessionary rates	**(12)**	(14)
Property revaluation	**(5)**	(4)
Results of associates	**(12)**	(10)
Changes in taxation rates	**4**	(1)
Deferred taxation assets not recognised	**1**	(2)
	31	11
Effects of non-recurring taxation reconciliation items:		
Taxation adjustments in respect of prior periods	**-**	25
(Profit)/loss on disposal of business	**(2)**	3
Goodwill and other impairments	**-**	110
Other	**(7)**	(2)
	(9)	136
Taxation expense at the effective rate of 23% (2019: 440%)	**117**	154

(iii) Current and deferred taxation recognised directly in other comprehensive income

	2020 £m	2019 £m
Deferred taxation credit/(charge) in respect of:		
Unrealised loss/(gain) on revaluation of property	**4**	(3)
Remeasurement deficit on pension schemes	**1**	1
Other items including foreign exchange translation differences	**2**	(1)
Taxation credit/(charge) on income and expenses recognised directly in other comprehensive income	**7**	(3)

3 Goodwill and intangible assets

Intangible assets and goodwill are non-physical assets used by the Group to generate revenues.

Goodwill
Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities of the acquired subsidiary company at the date of the business combination. The carrying value of goodwill may be adjusted up to 12 months from the accounting date of acquisition, as the allocation of the purchase price to identifiable intangible assets is finalised within that period. Goodwill arising on business combinations is capitalised and presented with intangible assets in the Consolidated Statement of Financial Position. Where the fair value of net assets acquired is greater than the consideration paid, the excess is recognised immediately in the Consolidated Income Statement.

Goodwill is held at cost less accumulated impairment losses. Impairment reviews are performed annually or more frequently if there is an indication that the carrying value may be impaired. Impairment reviews are performed at the level of the relevant cash generating unit ('CGU'). In identifying CGUs, the Group considers the smallest identifiable group of assets that generate independent cash inflows, how managers monitor operations and the level at which strategic decisions are made.

Other intangible assets
Intangible assets, other than goodwill, that are acquired as part of a business combination are recognised at fair value which represents cost at acquisition and are subsequently held at cost less accumulated amortisation and impairment. Intangible assets acquired separately are held at cost less accumulated amortisation and impairment.

Costs relating to the development of intangible assets, including computer software, are capitalised once all the development phase recognition criteria are met.

Amortisation is charged to the Consolidated Income Statement on a straight-line basis as follows, excluding any intangible assets which have been attributed an indefinite useful life:

- Computer software 2-7 years
- Brand and trademarks 3 years-indefinite
- Customer relationships 3-20 years
- Technology and databases 10 years
- Distribution networks 10 years
- Present value of acquired in-force business 20 years
- Customer contracts 4-6 years
- Licences to operate care homes term of licence

Intangible assets that are subject to amortisation are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Consolidated Income Statement to reduce the carrying amount to the recoverable amount.

Bed licences, with a carrying value of £110m (2019: £108m), held within the Bupa Villages and Aged Care - Australia CGU have been attributed an indefinite useful life since these licences, which are issued by the Australian Government, have no expiry date.

Intangible assets with an indefinite useful life, or not yet available for use, are subject to annual impairment reviews.

	Note	Goodwill £m	Computer software £m	Brands/ Trademarks £m	Customer relationships £m	Other £m	Total £m
2020							
Cost							
At beginning of year		**3,352**	**815**	**333**	**915**	**329**	**5,744**
Assets arising on business combinations		**13**	**-**	**-**	**-**	**-**	**13**
Additions		**-**	**109**	**-**	**1**	**4**	**114**
Disposals		**(5)**	**(15)**	**-**	**-**	**(4)**	**(24)**
Other		**-**	**4**	**-**	**-**	**-**	**4**
Foreign exchange		**80**	**10**	**3**	**2**	**4**	**99**
At end of year		**3,440**	**923**	**336**	**918**	**333**	**5,950**
Amortisation and impairment loss							
At beginning of year		**781**	**556**	**152**	**340**	**129**	**1,958**
Amortisation for year		**-**	**63**	**11**	**57**	**10**	**141**
Impairment loss		**-**	**7**	**-**	**-**	**11**	**18**
Disposals		**-**	**(14)**	**-**	**-**	**-**	**(14)**
Other		**-**	**(4)**	**-**	**-**	**-**	**(4)**
Foreign exchange		**17**	**4**	**2**	**6**	**2**	**31**
At end of year		**798**	**612**	**165**	**403**	**152**	**2,130**
Net book value at end of year		**2,642**	**311**	**171**	**515**	**181**	**3,820**
Net book value at beginning of year		2,571	259	181	575	200	3,786
2019							
Cost							
At beginning of year (restated)[1]		3,357	744	354	894	308	5,657
Adoption of IFRS 16 Leases	1.5(d)	-	-	-	-	(23)	(23)
Assets arising on business combinations		118	4	6	45	33	206
Additions		-	101	-	-	29	130
Disposals		(6)	(10)	-	-	(4)	(20)
Other		-	(2)	-	-	-	(2)
Foreign exchange (restated)[1]		(117)	(22)	(27)	(24)	(14)	(204)
At end of year (restated)[1]		3,352	815	333	915	329	5,744
Amortisation and impairment loss							
At beginning of year		372	502	130	295	132	1,431
Adoption of IFRS 16 Leases	1.5(d)	-	-	-	-	(5)	(5)
Amortisation for year		-	69	11	59	9	148
Impairment loss		422	6	21	-	-	449
Disposals		(5)	(9)	-	-	(2)	(16)
Foreign exchange		(8)	(12)	(10)	(14)	(5)	(49)
At end of year		781	556	152	340	129	1,958
Net book value at end of year (restated)[1]		2,571	259	181	575	200	3,786
Net book value at beginning of year (restated)[1]		2,985	242	224	599	176	4,226

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Intangible assets of £3,820m (2019: £3,786m) include £867m (2019: £956m) which is attributable to other intangible assets arising on business combinations, comprising customer relationships, brand and trademarks and other in the above table.

Impairment testing of goodwill and indefinite life intangible assets

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment by comparing the net carrying value with the recoverable amount, using value in use calculations.

In arriving at the value in use for each CGU, key assumptions have been made regarding future projected cash flows, discount rates and terminal growth rates. The key assumptions underlying the forecasts vary by business and for aged care, key drivers are occupancy rates, fee rates, staff costs and operating expenses. For provision business the cash flows are driven by available clinician hours, fee rates and operating expenses.

COVID-19 has caused significant disruption across the Group's provision and aged care businesses and, notwithstanding the positive recent developments regarding vaccine development, the continuing development of the pandemic means that significant judgement has been used in determining these future cash flows. Cash flow projections have been calculated from management operating profit projections for a five-year period. These are based on the three-year plan which has been approved by the Board.

The overall forecast cash flows therefore reflect the anticipated recovery of the provisions and aged care businesses over the medium term alongside the impacts of management actions, such as delaying capital expenditure, that have been implemented in the short term. Given the uncertainty regarding potential future lockdowns, and acknowledging that the longer term economic and social impact of COVID-19 is not yet fully known, projecting future cash flows is inevitably judgmental and will require periodic further review. For further details of current business risks, see page 14 to 21.

Taxation has been applied to the pre-taxation management operating profits based on the statutory taxation rates in the country of operation.

Forecast future post-taxation cash flows have been discounted at post-taxation discount rates. Discount rates have been derived using a weighted average cost of capital ('WACC') methodology, representing the minimum return a business must earn on its asset base to satisfy providers of capital. Discount rates used for the value in use calculations for each of the Group's CGUs are based on considerations of the systemic risks associated with each CGU, as well as external factors. These include the market assessment of the time value of money and the risks inherent in the relevant country where the cash flows are generated.

Cash flow projections beyond the forecast periods have been extrapolated by applying a terminal growth rate between 2.5% and 5.5% (2019: 2.0% and 5.5%) for all CGUs. The terminal growth rates represent an estimate of the long-term growth rate for each of the CGUs, taking into account the future and past growth rates and external sources of data, such as forecasted GDP growth rates, inflation and long-term consumer price index rates.

The values assigned to the key assumptions are based on past experience of the CGUs and assessment of future trends in the relevant industry.

The following table summarises the pre-taxation discount rates used for impairment testing for the main CGUs:

	2020 **%**	2019 %
Bupa Australia Health Insurance	**7.7**	**10.2**
Bupa Health Services Australia	**9.7**	**10.4**
Bupa Villages and Aged Care - Australia	**10.0**	**10.0**
Bupa Chile	**12.3**	**12.8**
LuxMed	**8.9**	**10.4**
Sanitas Seguros	**9.4**	**9.5**
Sanitas Mayores	**8.9**	**8.4**
Bupa Acıbadem Sigorta	**23.8**	**22.1**
Care Plus	**15.4**	**17.6**
Bupa Care Services UK	**6.9**	**7.1**
Bupa Dental Care UK	**7.5**	**7.2**
Bupa Global	**10.2**	**11.1**
Bupa Cromwell Hospital	**-**	**8.6**
Hong Kong	**10.4**	**10.5**

The testing undertaken determined the recoverable amount of all CGUs to be higher than their respective carrying value, resulting in no impairments to goodwill.

In 2019 a partial impairment to the goodwill of Bupa Dental Care UK and Bupa Villages and Aged Care – Australia was recorded, reflecting challenging trading conditions in those businesses. In particular, Bupa Dental Care UK was impacted by a shortage of dentists alongside ongoing investment in information security as well as increases in the National Living Wage leading to an impairment of £226m. The £177m impairment in Bupa Villages and Aged Care – Australia was driven by lower occupancy rates and recovery of the business following regulatory sanctions, alongside an increase in the discount rate.

In addition, £16m of goodwill in relation to Bupa Cromwell Hospital was fully impaired driven by lower forecast operating cash flows and a £3m impairment was recognised in Sanitas Seguros in respect of the disposal of an element of that business.

The following table summarises goodwill by CGU as at 31 December:

	2020 **£m**	2019 (restated)[1] £m
Australia and New Zealand		
Bupa Australia Health Insurance	**894**	840
Bupa Health Services Australia	**311**	292
Bupa Villages and Aged Care - Australia	**111**	107
Europe and Latin America		
Bupa Chile	**152**	150
LuxMed	**251**	250
Sanitas Seguros	**101**	95
Sanitas Mayores	**22**	21
Bupa Acıbadem Sigorta	**41**	53
Care Plus	**19**	24
Bupa Global and UK		
Bupa Care Services UK	**90**	90
Bupa Dental Care UK	**467**	463
Bupa Global	**68**	68
Other	**3**	3
Other businesses		
Hong Kong	**112**	115
Total	**2,642**	2,571

1. Goodwill for Bupa Villages and Aged Care – Australia has been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Sensitivity to changes in key assumptions

A sensitivity analysis has been performed on the key assumptions used to determine the value in use for each CGU as at 31 December 2020.

Other than as disclosed below, management believes that no reasonably probable change in any of the key assumptions would cause the carrying value of any goodwill or intangible asset with an indefinite useful life to exceed its recoverable amount.

Sensitivities have been provided below for those CGUs where a reasonably probable change to the discount rate, terminal growth rate or cash flows could give rise to an impairment in the future.

	Headroom £m	**Discount rate %**	**Terminal growth rate %**	**Reduction in headroom from 0.5% increase in discount rate £m**	**Reduction in headroom from 0.5% reduction in terminal growth rate £m**	**Reduction in headroom from 10% reduction in cash flows £m**
Bupa Dental Care UK	28	7.5	2.6	(96)	(84)	(81)
Bupa Care Services UK	37	6.9	2.6	(117)	(104)	(91)
Bupa Villages and Aged Care - Australia	48	10.1	3.0	(40)	(33)	(51)
Bupa Chile	59	12.3	3.0	(45)	(36)	(64)

Key assumptions underpinning the cash flows will differ across the CGUs. For Bupa Dental Care UK, cash flows are highly sensitive to the availability of dentists for the Group to recruit and we have assumed that an additional 10% of average available clinician hours are added during the forecast period – this level of growth rate, assuming all other assumptions remain unchanged, is required to support the current carrying value. For Bupa Care Services UK and Bupa Villages and Aged Care – Australia cash flows, key drivers will be the recovery of occupancy rates and the controlling of operating expenses. For Bupa Chile, this includes the continued recovery of business volumes following the 2019 social unrest.

Impairment of other intangible assets

As at 31 December 2020, other intangible assets with indefinite useful lives were tested for impairment with no impairment arising in the current year (2019: £21m in relation to brands in Bupa Chile).

A review of intangible assets that are subject to amortisation resulted in impairments of £18m. This primarily related to a £10m impairment of a distribution rights asset in Hong Kong and a £7m (2019: £6m) impairment of computer software assets.

4 Property, plant and equipment

Property, plant and equipment are the physical assets or rights to use the leased assets which are utilised by the Group to carry out business activities and generate revenues and profits.

The majority of assets held relate to care homes, hospital properties and equipment, and office buildings.

Freehold properties
Freehold properties comprise care homes, care villages, clinics, hospitals and offices and are initially measured at cost and subsequently at revalued amount less accumulated depreciation and impairment losses. These properties are subject to periodic and at least triennial valuations performed by external independent valuers. Borrowing costs relating to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

Equipment
Equipment (including leasehold improvements) is stated at historical cost less subsequent depreciation and impairment losses.

Depreciation
Freehold land and assets under construction, included within freehold properties, are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amount less residual value over estimated useful lives, as follows:

- Freehold property 50 years
- Right-of-use property lease term
- Leasehold improvements shorter of useful life or lease term
- Owned equipment 3-10 years
- Right-of-use equipment lease term

Impairment
Impairment reviews are undertaken where there are indications that the carrying value of an asset may not be recoverable. An impairment loss on assets carried at cost is recognised in other income and charges to reduce the carrying value to the recoverable amount. An impairment loss on assets carried at the revalued amount is recognised in the revaluation reserve, except where an asset is revalued below historical cost, in which case the loss on historical cost is recognised in the Consolidated Income Statement within other income and charges.

For information regarding leased (right-of-use) assets, see note 18.

	Note	Freehold property	Right-of-use-asset property	Leasehold property and improvements[1]	Owned equipment	Right-of-use-asset equipment	Total
		£m	£m	£m	£m	£m	£m
2020							
Cost or valuation							
At beginning of year		**2,450**	**1,123**	**272**	**1,275**	**13**	**5,133**
Assets arising on business combinations		**-**	**4**	**-**	**9**	**-**	**13**
Additions		**43**	**45**	**21**	**112**	**1**	**222**
Transfer to assets held for sale		**(7)**	**(2)**	**-**	**-**	**-**	**(9)**
Disposals		**(53)**	**(14)**	**(5)**	**(28)**	**(2)**	**(102)**
Revaluations		**(55)**	**-**	**-**	**-**	**-**	**(55)**
Remeasurements		**-**	**1**	**-**	**-**	**4**	**5**
Other		**2**	**(1)**	**12**	**(15)**	**-**	**(2)**
Foreign exchange		**78**	**24**	**7**	**35**	**-**	**144**
At end of year		**2,458**	**1,180**	**307**	**1,388**	**16**	**5,349**
Depreciation and impairment loss							
At beginning of year		**49**	**133**	**100**	**677**	**4**	**963**
Depreciation charge for year		**39**	**143**	**22**	**124**	**4**	**332**
Transfer to assets held for sale		**-**	**(1)**	**-**	**-**	**-**	**(1)**
Disposals		**(3)**	**(13)**	**(4)**	**(25)**	**(2)**	**(47)**
Revaluations		**(51)**	**-**	**-**	**-**	**-**	**(51)**
Impairment loss		**-**	**5**	**4**	**1**	**-**	**10**
Other		**-**	**-**	**6**	**(7)**	**-**	**(1)**
Foreign exchange		**1**	**3**	**3**	**22**	**-**	**29**
At end of year		**35**	**270**	**131**	**792**	**6**	**1,234**
Net book value at end of year		**2,423**	**910**	**176**	**596**	**10**	**4,115**
Net book value at beginning of year		2,401	990	172	598	9	4,170
2019							
Cost or valuation							
At beginning of year		2,451	-	297	1,165	-	3,913
Adoption of IFRS 16 Leases	1.5(d)	-	1,037	(8)	(5)	8	1,032
Assets arising on business combinations		9	-	1	5	-	15
Additions		70	135	39	182	5	431
Transfer to assets held for sale		(1)	(2)	-	(2)	-	(5)
Disposals		(4)	(3)	(10)	(19)	-	(36)
Revaluations		(23)	-	-	-	-	(23)
Other		34	1	(36)	-	-	(1)
Foreign exchange		(86)	(45)	(11)	(51)	-	(193)
At end of year		2,450	1,123	272	1,275	13	5,133
Depreciation and impairment loss							
At beginning of year		33	-	93	606	-	732
Adoption of IFRS 16 Leases	1.5(d)	-	-	(1)	(1)	-	(2)
Depreciation charge for year		41	139	23	117	4	324
Transfer to assets held for sale		-	(1)	-	(1)	-	(2)
Disposals		-	(3)	(6)	(16)	-	(25)
Revaluations		(22)	-	-	-	-	(22)
Other		-	-	(5)	-	-	(5)
Foreign exchange		(3)	(2)	(4)	(28)	-	(37)
At end of year		49	133	100	677	4	963
Net book value at end of year		2,401	990	172	598	9	4,170
Net book value at beginning of year		2,418	-	204	559	-	3,181

1. 2020 balances and 2019 closing balance represent leasehold improvements only.

Revaluation of properties

External valuations are performed every three years. To ensure that the carrying value does not differ significantly from fair value at the balance sheet date, in years where a full external valuation is not scheduled to be completed, a directors' valuation is conducted, based on updated cash flows and other market variables. Consideration is also given to whether there are any factors which indicate an out of cycle external revaluation is required.

The external revaluation of properties in 2020 were performed independently by EY in Australia and Jones Lang LaSalle in New Zealand, with the external revaluation of care homes and certain hospitals in Spain performed by Alia Tasaciones S.A. In light of COVID-19, experts have been consulted in other regions where there is a high degree of uncertainty around property valuations.

The valuations of care homes across the Group and hospitals in Spain and Poland are determined based on a capitalisation of earnings approach. Each facility's normalised earnings are divided by an appropriate capitalisation rate to determine a value in use. The capitalisation rate is the average rate of return for each facility and is based on qualitative and quantitative indicators of the facility's current and future performance and assumes normal prudent management of the facility.

The valuations of hospitals and clinics in Chile are determined based on discounted future cash flow projections. The discount rate is determined according to the time value of money, the level of risk of the industry and the corresponding premium risk.

Unobservable inputs include the capitalisation or discount rate and, for all properties except those in Poland and Chile, the average occupancy.

All other properties are valued by external valuers based on observable market values of similar properties. Due to the level of judgement and adjustments required to the observable inputs used in the valuation methodologies, a Level 3 classification is deemed appropriate for all properties in the Group.

At each revaluation date, accumulated depreciation is eliminated against the gross carrying amount of the asset.

Sensitivity analysis

The significant assumptions used in the calculation of the fair values of the material Level 3 freehold properties in the Group are:

Freehold properties	Australia	New Zealand	UK	Spain	Chile	Poland
Valuation assumptions: average occupancy rate	93.8%	90.7%	81.2%	82.9%	N/A	N/A
Valuation assumptions: average capitalisation/discount rate	13.8%	13.4%	11.8%	10.2%	6.9%	9.4%
Valuation assumptions: average price per square metre	N/A	N/A	£3,977	£2,945	N/A	N/A
Valuation assumptions: average yield	N/A	N/A	5.5%	5.2%	N/A	N/A

The valuations are most sensitive to changes in capitalisation rate assumptions and a reasonably possible increase/decrease of 0.5% in capitalisation rates would decrease/increase the total carrying value of freehold properties by (£90m)/£101m (2019: (£74m)/£76m).

The table below shows the date at which freehold properties held as at 31 December 2020 were last subject to external valuation.

	2020 £m
Valuation - December 2020	**1,176**
Valuation - December 2019	**996**
Valuation - December 2018	**126**
Assets held at cost[1]	**160**
Cost or valuation	**2,458**

1. Primarily relates to assets under construction and initial fair value of additions.

Gains and losses on revaluation are recognised in the property revaluation reserve, except where an asset is revalued below historical cost, in which case the deficit is recognised in the Consolidated Income Statement. Where a revaluation reverses the losses taken to the Consolidated Income Statement in prior years, the credit is recognised in the Consolidated Income Statement.

In the current year, a £5m net revaluation deficit (2019 gain: £18m) has been recognised in the property revaluation reserve, with a revaluation gain of £1m (2019 deficit: £19m) credited to the Consolidated Income Statement within other income and charges (see note 2.4).

Recognised in the carrying amount of freehold property is £100m (2019: £80m) in relation to freehold property in the course of construction.

Historical cost of the Group's revalued freehold property assets

	2020 £m	2019 £m
Historical cost of revalued assets	**2,673**	2,544
Accumulated depreciation based on historical cost	**(380)**	(327)
Historical cost net book value	**2,293**	2,217
Depreciation charge for the year on historical cost	**53**	51

5 Investment property

Investment properties are physical assets that are not occupied by the Group and are leased to third parties to generate rental income. Most investment properties held by the Group relate to a portfolio of retirement villages in New Zealand.

Investment properties are initially measured at cost and subsequently at fair value, determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location. Investment property is revalued annually with any gain or loss arising from a change in fair value recognised in the Consolidated Income Statement within financial income and expense.

In an active market, the portfolio is valued annually by an independent valuer, holding a recognised and relevant professional qualification, and with recent experience in the location and category of investment property being valued.

In Australia and New Zealand, the retirement village market is fragmented as each village is unique due to building configuration and location. Growth in new developments is also restricted due to a lack of suitable sites and transactions are not frequent given the relatively high value of each village. As a result, no active market exists for the retirement villages from which values can be derived. These properties are valued using discounted cash flow projections based on reliable estimates of future cash flows.

	Note	2020 £m	2019 £m
At beginning of year		**522**	**454**
Adoption of IFRS 16 Leases	1.5(d)	**-**	**2**
Additions		**59**	**58**
Disposals		**(1)**	**-**
Increase in fair value	2.5	**25**	**25**
Foreign exchange		**22**	**(17)**
At end of year		**627**	**522**

In the current year, a revaluation surplus of £25m (2019: £25m) was credited to the Consolidated Income Statement.

The carrying value of investment properties primarily consists of the Group's portfolio of retirement villages in New Zealand of £564m (2019: £483m) and Australia of £51m (2019: £28m). These were valued by management using internally prepared discounted cash flow projections, supported by the terms of any existing lease and other contracts. Discount rates are used to reflect current market assessments of the uncertainty in the amount or timing of the cash flows. During the year an independent valuation of the New Zealand portfolio was performed by Jones Lang LaSalle, and this valuation, also based on a discounted cash flow model was in line with management's valuation.

The historical cost of investment properties is £324m (2019: £264m). The properties are categorised as Level 3 within the fair value hierarchy.

COVID-19 has heightened uncertainty around underlying assumptions, in particular short-term growth rates. Significant assumptions used in the valuation include:

Australia and New Zealand	
Discount rate	13.0% - 15.3%
Capital growth rate	0.0% - 3.5%
Provision for capital replacement	0.6% - 3.0%
Vacancy period	0 - 3 months
Turnover in apartments and villas	4 - 6 years

The sensitivity analysis below considers the impact on the year end valuation of Level 3 investment properties and is based on a change in assumption while holding all other assumptions constant. In practice, changes in assumptions may be correlated.

Australia and New Zealand	0.5% absolute increase	0.5% absolute decrease
Discount rate	£10m decrease	£11m increase
Capital growth rate	£14m increase	£13m decrease

Retirement villages
During the year ended 31 December 2020, the Group's retirement village portfolio in Australia and New Zealand generated £16m (2019: £18m) of income which was recognised as revenue in the Consolidated Income Statement. Total direct operating expenses of these retirement villages amounted to £12m (2019: £11m).

6 Equity accounted investments

Equity accounted investments comprise associated companies in which the Group has significant influence, but not control.

Associated companies include those entities in which the Group has significant influence, but no right to direct the activities which determine the variable returns it receives from the entity.

Associated companies are accounted for using the equity method and are initially recognised at cost. The cost of the investment includes transaction costs. The carrying value of the investment is adjusted for the Group's share of any post acquisition profits or losses of the associated entity.

If the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest (including any long-term interests that, in substance, form part of the Group's net investment), is reduced to £nil. In addition, the recognition of further losses is discontinued except to the extent that the Group has an obligation to make payments on behalf of the equity accounted investment.

Associates
The Consolidated Financial Statements include the Group's share of income and expenses, and other comprehensive income, after adjustments to align the accounting policies with those of the Group where materially different, from the date that significant influence or control commences until the date that significant influence or control ceases.

The carrying amount of equity accounted investments is £868m (2019: £716m). All equity accounted investments are included based on coterminous accounting periods.

The Group's principal equity accounted investments are:

		Business activity	Share of issued capital	Principally operates in	Country of incorporation
Bupa Arabia for Cooperative Insurance Company	Associate	Insurance	43.25%	Saudi Arabia	Saudi Arabia
Highway to Health, Inc.	Associate	Insurance	49.00%	USA	USA
Max Bupa Health Insurance Company Limited	Associate	Insurance	44.42%	India	India

On 30 August 2020, the Group increased its shareholding in Bupa Arabia for Cooperative Insurance Company ('Bupa Arabia') from 39.25% to 43.25% as a result of the acquisition of a portion of the Nazer Group's stake for £104m. During the year the Group received dividends of £nil (2019: £13m) from Bupa Arabia.

During the year, capital injections of £5m (2019: £8m) were made in Max Bupa Health Insurance Company Limited ('Max Bupa'), the Group's associate in India. Distributions to shareholders are currently restricted by local regulatory requirements which are re-assessed on a regular basis.

(i) Summarised financial information for material associates

The tables below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates, and not the Group's share of those amounts. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Bupa Arabia		Highway to Health		Max Bupa	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Revenue[1]	**2,229**	1,956	**168**	157	**112**	85
Cash and cash equivalents	**123**	73	**106**	109	**2**	2
Other current assets	**1,532**	806	**54**	66	**13**	10
Current assets	**1,655**	879	**160**	175	**15**	12
Non-current assets	**586**	1,175	**9**	10	**142**	111
Current liabilities	**(1,480)**	(1,436)	**(79)**	(97)	**(57)**	(40)
Non-current liabilities	**-**	-	**(3)**	(3)	**(60)**	(50)
Net assets	**761**	618	**87**	85	**40**	33

1. 2019 revenue for Max Bupa has been restated to £85m.

Reconciliation to carrying amounts

	Bupa Arabia		Highway to Health		Max Bupa	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Opening net assets	**618**	539	**85**	77	**33**	27
Profit/(loss) for the year	**150**	126	**3**	10	**(1)**	(10)
Other comprehensive income/(expense)	**29**	(1)	**-**	-	**-**	-
Dividends paid	**-**	(38)	**-**	-	**-**	-
Other reserve movements	**(36)**	(8)	**(1)**	(2)	**8**	16
Closing net assets	**761**	618	**87**	85	**40**	33
% Ownership	**43.25%**	39.25%	**49.00%**	49.00%	**44.42%**	44.42%
Reporting entity's share	**329**	243	**43**	42	**18**	15
Fair value and local accounting differences[1]	**274**	207	**171**	177	**16**	16
Carrying amount	**603**	450	**214**	219	**34**	31
Reporting entity's share of profit/(loss)[2]	**55**	47	**1**	6	**-**	(5)

1. Primarily relates to implicit goodwill and intangible assets on acquisition.
2. 2020 share of profits in Bupa Arabia are based on a share of ownership of 39.25% to 30 August 2020 and 43.25% thereafter. 2019 share of profits in Max Bupa are based on a share in ownership of 49.00% up to 15 December 2019.

(ii) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method. The aggregate carrying amount of these associates is £17m (2019: £16m). The Group's share of profit recognised during the year for these associates in both the current and prior year was £nil.

7 Post-employment benefits

The Group operates several funded defined benefit and defined contribution pension schemes for the benefit of employees.

The principal defined contribution pension scheme during the year was The Bupa Retirement Savings Plan.

The National Employment Savings Test ('NEST') has been used to meet the Group's automatic enrolment duties for UK employees.

Defined contribution pension schemes

The defined contribution pension schemes provide employees with a retirement fund accumulated through investment of contributions made by Bupa and the employees. Members of the scheme use their funds to secure benefits at retirement. Benefits are not known in advance and the investment and longevity risks are assumed solely by the members of the scheme. Contributions payable by the relevant sponsoring employers are defined in the scheme rules or plan specifications and these contributions are recognised as an expense in the Consolidated Income Statement as incurred.

Defined benefit post-employment schemes

The defined benefit pension schemes provide benefits based on final pensionable salary. The Group's net obligation in respect of defined benefit pensions is calculated separately for each scheme and represents the present value of the defined benefit obligation less the fair value of scheme assets. The discount rate used is the yield at the balance sheet date on high-quality corporate bonds denominated in the currency in which the benefit will be paid. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of any future refunds from the scheme or reductions in future contributions to the scheme.

The charge to the Consolidated Income Statement for defined benefit schemes represents the following: current service cost calculated on the projected unit credit method, net interest cost, past service costs and administrative expenses.

All remeasurements are recognised in full in the Consolidated Statement of Comprehensive Income in the period in which they occur.

(i) Amount recognised in the Consolidated Income Statement

The amounts charged/(credited) to other operating expenses for the year are:

	2020 £m	2019 £m
Current service cost	**1**	1
Net interest on defined benefit liability/asset	**-**	-
Gain on settlement	**-**	(2)
Total amount charged/(credited) to the Consolidated Income Statement	**1**	(1)

The charge to other operating expenses in respect of cash contributions to defined contribution schemes is £37m (2019: £35m).

(ii) Amount recognised directly in other comprehensive income
The amounts charged/(credited) directly to equity are:

	2020 £m	2019 £m
Actual return less expected return on assets	**(6)**	(6)
Loss arising from changes to financial assumptions	**11**	8
Loss arising from changes to experience assumptions	**1**	1
Gain arising from changes to demographic assumptions	**(1)**	(1)
Total remeasurement losses charged directly to equity	**5**	2

7.1 Group post-employment benefit schemes

Defined contribution pension schemes
The principal defined contribution pension scheme in the UK during the year was The Bupa Retirement Savings Plan, which was in effect from 1 October 2002 to 31 December 2020 and was available to permanent employees of The British United Provident Association Limited and Bupa Insurance Services Limited to join on a voluntary basis. In addition, there were several other contract-based defined contribution arrangements available to employees of other employers within the Group to join on a voluntary basis. These schemes closed to future contributions on 31 December 2020, being replaced by the My Bupa LifeSight Plan from 1 January 2021. The Group automatically enrols any eligible non-pensioned employees into the National Employment Savings Trust (NEST).

Defined benefit post-employment schemes
The principal defined benefit scheme in the UK is The Bupa Pension Scheme. The British United Provident Association Limited is the principal sponsoring employer for The Bupa Pension Scheme. The Company (which is not an employer in respect of the scheme) had entered into a legally binding and irrevocable guarantee for the benefit of the trustee in respect of the payments due from Bupa. Please see the 2020 Bupa Annual Report and Accounts for full details.

There are several other smaller defined benefit pension schemes operated by UK and overseas subsidiaries. The defined benefit pension schemes are assessed by independent scheme actuaries in accordance with UK or local practice and under IAS 19 at 31 December 2020 for the purposes of inclusion in the Group's Consolidated Financial Statements.

Complete disclosure of these other defined benefit pension schemes is not practicable within this report but they are disclosed within the financial statements of the relevant sponsoring employer of each scheme.

(a) Assets and liabilities of schemes

		Defined benefit funded pension schemes	
	Section	2020 £m	2019 £m
Present value of funded obligations	(b)	**(88)**	(78)
Fair value of scheme assets	(c)	**77**	73
Net recognised liabilities		**(11)**	(5)
Represented on the Consolidated Statement of Financial Position:			
Net liabilities		**(12)**	(7)
Net assets		**1**	2
Net recognised liabilities		**(11)**	(5)

(b) Present value of funded schemes' obligations

The movements in the present value of the schemes' obligations are:

	Defined benefit funded pension schemes	
	2020 £m	2019 £m
At beginning of year	**78**	92
Current service costs	**1**	1
Interest on obligations	**1**	2
Losses from changes to financial assumptions	**11**	8
Losses from changes to experience assumptions	**1**	1
Gains from changes to demographic assumptions	**(1)**	(1)
Benefits paid	**(4)**	(6)
Settlement	**-**	(8)
Group transfer[1]	**-**	(10)
Foreign exchange	**1**	(1)
At end of year	**88**	78

1. The Care First Bedfordshire Limited Scheme merged with the Bupa Pension Scheme during January 2019.

(c) Fair value of funded schemes' assets

The movements in the fair value of the funded schemes' assets are:

	2020 £m	2019 £m
At beginning of year	**73**	85
Interest income	**1**	2
Return on assets excluding interest income	**6**	6
Contributions by employer	**1**	1
Benefits paid	**(4)**	(6)
Settlement	**-**	(7)
Group transfer[1]	**-**	(8)
At end of year	**77**	73

1. The Care First Bedfordshire Limited Scheme merged with the Bupa Pension Scheme during January 2019.

The market values of the assets of the funded schemes are as follows:

	2020 £m	**2020 %**	2019 £m	2019 %
Pooled investment funds	**34**	**45**	11	15
Government bonds	**18**	**23**	24	33
Cash/other assets	**12**	**14**	15	21
Equities	**8**	**10**	17	23
Loans	**3**	**4**	4	5
Corporate bonds	**2**	**4**	2	3
Total market value of the assets of the funded schemes	**77**	**100**	73	100

No assets have a quoted market price.

7.2 Actuarial assumptions

The responsibility for setting the assumptions underlying the IAS 19 valuations rests with Bupa's Directors, having first taken advice from the Group's independent actuary.

The key weighted average financial assumptions used when valuing the obligations of the post-employment benefit schemes under IAS 19 for the schemes within the Group are as follows:

	Defined benefit funded pension schemes	
	2020	2019
	%	%
Inflation rate	**3.0**	2.3
Rate of increase in salaries	**3.3**	3.2
Rate of increase to pensions in payment	**2.9**	2.3
Rate of increase to pensions in deferment	**2.9**	2.3
Discount rate for scheme assets and obligations	**1.3**	2.0

(a) Actuarial assumptions underlying the valuation of obligations
The inflation assumption is set by reference to the difference between the yield on long-term fixed interest gilts and the real yield on index-linked gilts, with a deduction of 0.2% to reflect an inflation risk premium.

The rate of increase in salaries is equal to the long-term expected annual average salary pay increase for the employees who are members of the respective schemes. This assumption is set relative to the inflation rate assumption.

The rate of increase of pensions in payment is the same as the inflation rate, with the exception of benefits which receive fixed increases in payment as defined under the respective scheme rules.

The discount rate used to value scheme liabilities is the yield at the balance sheet date on high-quality corporate bonds of appropriate term.

(b) Mortality assumptions
The trustees of The Bupa Pension Scheme undertook a scheme-specific mortality investigation as part of the ongoing 1 July 2020 triennial valuation. The trustees shared the conclusion drawn from this analysis with the Directors of the Company, who have adopted assumptions in line with this analysis for the purposes of IAS 19 valuation as at 31 December 2020. The results of the latest triennial valuation are yet to be finalised.

The mortality tables adopted at 31 December 2020 are the S3PA year of birth mortality tables using the CMI 2019 projection model, with a long-term rate of improvement of 1.5% p.a. adjusted by 95% (male non-pensioners); 94% (female non-pensioners); 90% (male pensioners) and 92% (female pensioners). The average life expectancies at age 60 based on these tables for a male currently aged 60 is 27.9 years and for a female currently aged 60 is 29.6 years. The average life expectancies at age 60 based on these tables for a male currently aged 45 is 28.7 years and for a female currently aged 45 is 30.8 years.

Assumptions over duration of liabilities

The weighted average duration of the defined benefit obligation is approximately 16 years.

8 Restricted assets

Restricted assets are amounts held in respect of specific obligations and potential liabilities and may be used only to discharge those obligations and potential liabilities if and when they crystallise.

	2020	2019
	£m	£m
Non-current restricted assets	**48**	44
Current restricted assets	**101**	73
Total restricted assets	**149**	117

The non-current restricted assets balance of £48m (2019: £44m) consists of cash deposits held to secure a charge over the non-registered pension arrangement (held in the Parent company). Included in current restricted assets is £101m (2019: £72m) in respect of claims funds held on behalf of corporate customers.

9 Financial investments

The Group generates cash from its underwriting, trading and financing activities and invests the surplus cash in financial investments. These include government bonds, corporate bonds, pooled investment funds and deposits with credit institutions.

All financial investments are initially recognised at fair value, which includes transaction costs for financial investments not classified at fair value through profit or loss. Financial investments are recorded using trade date accounting at initial recognition.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

The Group has classified its financial investments into the following categories: at fair value through profit or loss, at fair value through other comprehensive income ('FVOCI') and at amortised cost.

Classification	Criteria and treatment under IFRS 9
Fair value through profit or loss	Debt and Equity instruments where performance is managed and evaluated on a fair value basis and the objective is to realise cash flows through the sale of the assets. The investments are carried at fair value, with gains and losses arising from changes in this value recognised in the Consolidated Income Statement in the period in which they arise.
Fair value through other comprehensive income	Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows and sell, with a greater frequency and value of sales than instruments at amortised cost. The investments are carried at fair value and fair value changes are recognised through the Consolidated Statement of Comprehensive Income, except for interest and foreign exchange gains or losses and impairment gains and losses that are derived using the same methodology that is applied to financial assets measured at amortised cost, which go through the Consolidated Income Statement. The cumulative gain or loss that was recognised in other comprehensive income is recognised in the Consolidated Income Statement when a financial asset at fair value through other comprehensive income is derecognised.
Amortised cost	Non-derivative debt instruments where the contractual characteristics of the financial assets represent solely payments of principal and interest and the objective is to hold the instrument to collect cash flows over its life. Any disposals are expected to be infrequent or insignificant. The investments are measured at amortised cost using the effective interest method, less any impairment losses. Any discount or premium on purchase is amortised over the life of the investment through the Consolidated Income Statement.

Under IFRS 9, impairment provisions for expected credit losses ('ECL') are recognised for financial investments measured at amortised cost and FVOCI. An allowance for either a 12-month or lifetime ECL is required, depending on whether there has been a significant increase in credit risk since initial recognition. However, an assumption can be made that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date (e.g. it is investment grade). The Group applies a 12-month ECL allowance, as all relevant financial investments are either investment grade or short term.

The measurement of ECL should reflect a probability-weighted outcome, the time value of money and the best available forward-looking information. An option pricing probability model is used as the basis for assessing ECL. An analysis of ECL provisions is provided in note 25.3.

Financial investments are analysed as follows:

	Carrying value 2020 £m	**Fair value 2020 £m**	Carrying value 2019 £m	Fair value 2019 £m
Fair value through profit or loss				
Corporate debt securities and secured loans	**342**	**342**	335	335
Government debt securities	**47**	**47**	52	52
Pooled investment funds	**301**	**301**	220	220
Deposits with credit institutions	**1**	**1**	1	1
Other loans	**8**	**8**	5	5
Equities	**12**	**12**	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**85**	**85**	31	31
Government debt securities	**38**	**38**	52	52
Amortised cost				
Corporate debt securities and secured loans	**616**	**622**	627	631
Government debt securities	**103**	**106**	129	130
Deposits with credit institutions	**1,311**	**1,318**	865	867
Other loans	**1**	**1**	1	1
Total financial investments	**2,865**	**2,881**	2,331	2,338
Non-current	**945**	**951**	767	770
Current	**1,920**	**1,930**	1,564	1,568

Fair value of financial investments
Fair value is a market-based measurement for assets for observable market transactions where market information might be available. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the asset would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset).

The fair values of quoted investments in active markets are based on current bid prices. The fair values of unlisted securities and quoted investments for which there is no active market are established by using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other investments that are substantially the same and discounted cash flow analysis.

The fair values of financial investments are determined using different valuation inputs categorised into a three-level hierarchy. The different levels have been defined by reference to the lowest level input that is significant to the fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An analysis of financial investments by hierarchy level is as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2020				
Fair value through profit or loss				
Corporate debt securities and secured loans	**36**	**306**	**-**	**342**
Government debt securities	**47**	**-**	**-**	**47**
Pooled investment funds	**135**	**158**	**8**	**301**
Deposits with credit institutions	**1**	**-**	**-**	**1**
Other loans	**-**	**-**	**8**	**8**
Equities	**-**	**-**	**12**	**12**
Fair value through other comprehensive income				
Corporate debt securities and secured loans	**85**	**-**	**-**	**85**
Government debt securities	**38**	**-**	**-**	**38**
Amortised cost				
Corporate debt securities and secured loans	**621**	**1**	**-**	**622**
Government debt securities	**105**	**1**	**-**	**106**
Deposits with credit institutions	**-**	**1,318**	**-**	**1,318**
Other loans	**-**	**1**	**-**	**1**
Total financial investments	**1,068**	**1,785**	**28**	**2,881**

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
2019				
Fair value through profit or loss				
Corporate debt securities and secured loans	18	317	-	335
Government debt securities	52	-	-	52
Pooled investment funds	48	168	4	220
Deposits with credit institutions	1	-	-	1
Other loans	-	-	5	5
Equities	-	-	13	13
Fair value through other comprehensive income				
Corporate debt securities and secured loans	31	-	-	31
Government debt securities	52	-	-	52
Amortised cost				
Corporate debt securities and secured loans	629	2	-	631
Government debt securities	129	1	-	130
Deposits with credit institutions	-	867	-	867
Other loans	-	1	-	1
Total financial investments	960	1,356	22	2,338

The Group currently holds Level 3 investments totalling £28m. The majority of investments are unlisted equities and convertible notes valued at the recent subscription value and conversion price, which are deemed to be unobservable inputs. Reasonably possible changes to the valuation assumptions applied could result in a change in fair value of plus or minus £1m.

The table below shows movement in the Level 3 assets measured at fair value.

Level 3	**2020 £m**	2019 £m
Opening balance	**22**	32
Additions	**6**	17
Net decrease in fair value	**-**	(17)
Disposals	**-**	(9)
Foreign exchange	**-**	(1)
At end of year[1]	**28**	22

1. All gains and losses are recognised in the Consolidated Income Statement in net financial expense.

The Group uses a market interest curve as at the balance sheet date to discount financial assets, borrowings and derivatives, where the fair value cannot otherwise be found from quoted market values. The range of interest rates used is as follows:

	2020 %	2019 %
Sterling assets and liabilities	**0.0-0.6**	0.8-1.1
Australian dollar assets and liabilities	**0.0-0.2**	0.9-1.0
Euro assets and liabilities	**(0.7)-(0.1)**	(0.6)-(0.5)
US dollar assets and liabilities	**0.1-1.7**	1.6-2.4

10 Derivatives

A derivative is a financial instrument whose value is based on one or more underlying variables. The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. Derivatives are not held for speculative reasons.

Derivatives that have been purchased or issued as part of a hedge that subsequently do not qualify for hedge accounting are accounted for at fair value through profit or loss. See note 25 for details on how the Group accounts for derivatives that qualify for hedge accounting.

Derivative financial instruments are initially recognised and subsequently measured at fair value.

Fair values are obtained from market observable pricing information including interest rate yield curves. The value of foreign exchange forward contracts is established using listed market prices.

Fair values have been calculated for each type of derivative as follows:

- The fair value of currency forward contracts, swaps and options is determined using forward exchange rates derived from market sourced data at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

Valuation inputs are classified as Level 2 in the fair value hierarchy.

	2020 **£m**	2019 £m
Derivative assets		
Non-current	**8**	5
Current	**53**	54
Total derivative assets	**61**	59
Derivative liabilities		
Non-current	**(18)**	-
Current	**(59)**	(34)
Total derivative liabilities	**(77)**	(34)

11 Deferred taxation assets and liabilities

Deferred taxation is an amount which recognises the differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for taxation purposes. An example is the variance between the carrying value of equipment due to depreciation being charged for financial reporting purposes and written down allowances being applied for the relevant tax authorities.

Deferred taxation is recognised in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not recognised: goodwill not deductible for taxation purposes and the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The amount of deferred taxation recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred taxation assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and when the Group can settle its current taxation assets and liabilities on a net basis.

Recognised deferred taxation assets and liabilities
Deferred taxation assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2020 **£m**	2019 £m	**2020** **£m**	2019 (restated)[1] £m	**2020** **£m**	2019 (restated)[1] £m
Accelerated capital allowances	**24**	24	**(36)**	(45)	**(12)**	(21)
Post employment benefit liability	**3**	1	**(1)**	-	**2**	1
Revaluation of properties to fair value	**2**	3	**(91)**	(89)	**(89)**	(86)
Employee benefits (other than post employment)	**47**	24	**-**	-	**47**	24
Provisions	**116**	52	**-**	-	**116**	52
Taxation value of losses carried forward	**38**	38	**-**	-	**38**	38
Goodwill and intangible assets	**7**	6	**(203)**	(200)	**(196)**	(194)
Other	**-**	9	**(44)**	(56)	**(44)**	(47)
Deferred taxation (before allowable netting)	**237**	157	**(375)**	(390)	**(138)**	(233)
Allowable netting of deferred taxation	**(188)**	(113)	**188**	113	**-**	-
Deferred taxation - net	**49**	44	**(187)**	(277)	**(138)**	(233)

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

Unrecognised deferred taxation assets

As at 31 December 2020, the Group had deductible temporary differences relating to trading losses of £100m (2019: £88m) and capital losses of £59m (2019: £71m) for which no deferred taxation asset was recognised due to uncertainty of utilisation of those temporary differences.

Movement in net deferred taxation (liabilities)/assets

	At beginning of year £m	Adoption of IFRS 16 £m	Recognised in Consolidated Income Statement £m	Recognised in other comprehensive income £m	Acquisitions through business combinations £m	Transfer (from)/to assets held for sale £m	Foreign exchange £m	At end of year £m
2020								
Accelerated capital allowances	**(21)**	**-**	**5**	**6**	**-**	**-**	**(2)**	**(12)**
Post-employment benefit liability	**1**	**-**	**-**	**1**	**-**	**-**	**-**	**2**
Revaluation of properties to fair value	**(86)**	**-**	**5**	**(2)**	**-**	**-**	**(6)**	**(89)**
Employee benefits (other than post-employment)	**24**	**-**	**19**	**-**	**-**	**-**	**4**	**47**
Provisions	**52**	**-**	**50**	**-**	**-**	**-**	**14**	**116**
Taxation value of losses carried forward	**38**	**-**	**2**	**-**	**-**	**-**	**(2)**	**38**
Goodwill and intangible assets	**(194)**	**-**	**6**	**-**	**-**	**-**	**(8)**	**(196)**
Other	**(47)**	**-**	**8**	**2**	**-**	**(2)**	**(5)**	**(44)**
Total	**(233)**	**-**	**95**	**7**	**-**	**(2)**	**(5)**	**(138)**
2019								
Accelerated capital allowances	(48)	13	16	-	(1)	-	(1)	(21)
Post-employment benefit liability	1	-	-	1	-	-	(1)	1
Revaluation of properties to fair value	(94)	-	4	(3)	-	-	7	(86)
Employee benefits (other than post-employment)	27	-	-	(1)	(2)	-	-	24
Provisions	49	-	13	-	(5)	-	(5)	52
Taxation value of losses carried forward	47	-	(8)	-	1	-	(2)	38
Goodwill and intangible assets (restated)[1]	(207)	-	10	-	(8)	-	11	(194)
Other	(23)	-	(28)	-	1	2	1	(47)
Total	(248)	13	7	(3)	(14)	2	10	(233)

1. Balances have been restated due to the IFRS Interpretations Committee decision in relation to Multiple Tax Consequences of Recovering an Asset. Refer to note 1.5(a) for further details.

12 Assets arising from insurance business

Financial assets arising from insurance business, excluding reinsurers' share of insurance provisions, are held at amortised cost. The valuation of reinsurances' share of insurance provisions is discussed in note 19.

	Note	**2020 £m**	2019 £m
Insurance debtors	(a)	**1,087**	1,143
Ceded insurance provisions	(b)	**24**	24
Deferred acquisition costs	(c)	**138**	160
Medicare rebate	(d)	**76**	73
Risk Equalisation Special Account Recoveries		**20**	16
Total assets arising from insurance business		**1,345**	1,416
Non-current		**11**	27
Current		**1,334**	1,389

The above balance is held net of provision for impairment losses. Information regarding the ageing of insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries is shown in note 25.3.

(a) Insurance debtors

In certain jurisdictions, such as the UK and Spain, where the amount payable under an insurance contract is payable in instalments over the term, a debtor and corresponding unearned premium provision is established at inception for the total premiums receivable over the whole period of cover.

(b) Reinsurers’ share of insurance provisions

The recoverables due from reinsurers are shown within assets arising from insurance business and are assessed for impairment at each balance sheet date. Reinsurers’ share of insurance provisions are further analysed in note 19.

(c) Deferred acquisition costs
Acquisition costs represent commissions payable and other expenses related to the acquisition of insurance contract revenues written during the financial year. Acquisition costs that have been paid that relate to subsequent periods are deferred and recognised in the Consolidated Income Statement in the relevant period on a straight-line basis.

The movement in deferred acquisition costs is as follows:

	2020 £m	2019 £m
At the beginning of the year	**160**	139
Acquisition costs deferred	**380**	374
Acquisition costs released to Consolidated Income Statement	**(403)**	(348)
Foreign exchange	**1**	(5)
At end of year	**138**	160

Acquisition costs released to the Consolidated Income Statement include £21m (2019: £nil) of deferred acquisition costs written off due to deficiencies being identified in technical provisions as a result of liability adequacy testing. Further details on liability adequacy testing are included within note 19.

(d) Medicare rebate
In Australia, the government provides an income tested rebate to help people meet the cost of private health insurance. Where customers have elected to receive the rebate as a premium reduction through the private health insurer, the amounts are recovered from the government. Rebates due from the government but not received at the balance sheet date are recognised in assets arising from insurance business.

13 Inventories

Inventories comprise drugs, prostheses, consumables and housing stock utilised in the course of our care, health and dental operations.

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method, or methods that approximate this and includes costs incurred in acquiring the inventories and in bringing them to their current location and condition.

Inventories relating to drugs, prostheses, consumables and housing stock were £126m (2019: £98m). Inventory write-downs of £1m were made during the year (2019: £nil). The Group consumed £240m (2019: £178m) of inventories, which are recognised within other operating expenses in the Consolidated Income Statement.

14 Trade and other receivables

Trade and other receivables arise in the ordinary course of business.

	Note	**2020 £m**	2019 £m
Trade receivables	(a)	**263**	279
Amounts owed by Ultimate Parent Company		**25**	170
Other receivables	(a)	**117**	140
Service concession receivables	(b)	**38**	-
Prepayments		**78**	74
Contract costs	(c)	**6**	7
Accrued income		**72**	62
Investment receivables and accrued investment income		**4**	7
Total trade and other receivables		**603**	739
Non-current		**25**	33
Current		**578**	706

Trade and other receivables are carried at amortised cost net of provisions for ECLs. Trade receivables relate to consideration due from customer contracts. Other receivables relate to consideration due from contracts that are outside of the scope of IFRS 15 e.g. rental receivables. Information regarding the ageing of trade and other receivables is shown in note 25.3. All trade receivables and service concession receivables are classified as receivables under IFRS 15, as a receivable is an entity's right to consideration that is unconditional i.e. only the passage of time is required before payment is due.

The carrying value of trade and other receivables is a reasonable approximation of fair value.

(a) Impairment of financial assets
Financial assets comprise trade and other receivables and financial investments. Refer to note 9 for financial investments.

All receivables are measured net of lifetime ECL. Where appropriate, a provision matrix is used to estimate ECL.

Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward-looking information is then used to establish the ECL provision for each category. An analysis of ECL provisions for trade and other receivables is disclosed in note 25.3. All impairment losses are recognised in the Consolidated Income Statement within net impairment loss on financial assets. Impairment losses on trade receivables under IFRS 9 of £9m have been recognised in the period (2019: £8m).

(b) Service concession receivables
Service concession receivables of £38m have been recognised following the reclassification of a provision business in Europe and Latin America from held for sale in the current year.

The Group has recognised service concession receivables in respect of the public private partnership arrangements. A financial asset is recognised to the extent that Bupa has an unconditional contractual right to receive cash at the direction of the grantor for both construction and operational services and the grantor has little, if any, discretion to avoid payment. This financial asset is carried at amortised cost (with an effective interest rate) less ECL provisions.

In respect of operational services provided, revenue is recognised based on the average operating margin for the life of the contract. The operating margin is based on historic performance plus projections and this margin is reassessed based on changes in expected performance, with an adjustment made to the current year results to bring the contract performance to date in line with the revised margin. As revenue is based on an expected margin, with some potential variability, revenue is only ever recognised to the extent that it is highly probable a significant reversal will not occur when the uncertainty is resolved.

(c) Contract costs
Contract costs comprise set-up costs incurred to fulfil contracts with customers. These are amortised on a straight-line basis over the contract period.

15 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments (including money market funds) with original maturities of three months or less which are subject to an insignificant risk of change in value.

	2020 **£m**	2019 £m
Cash at bank and in hand	**1,279**	807
Short-term deposits	**427**	427
Total cash and cash equivalents	**1,706**	1,234

Bank overdrafts of £1m (2019: £1m) that are repayable on demand are reported within other interest-bearing liabilities on the Consolidated Statement of Financial Position, although are considered as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

16 Assets and liabilities held for sale

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use and a sale within twelve months is considered to be highly probable.

Classification as held for sale
Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Subsequent to initial classification as held for sale, any impairment losses and gains or losses on remeasurement are recognised in profit or loss.

On classification as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Assets and liabilities classified as held for sale

	2020 £m	2019 £m
Assets held for sale		
Property, plant and equipment	8	7
Financial investments	-	6
Deferred taxation assets	-	1
Inventories	-	4
Trade and other receivables	-	42
Cash and cash equivalents	-	218
Total assets classified as held for sale	8	278
Liabilities associated with assets held for sale		
Other interest-bearing liabilities	-	(18)
Lease liabilities	(1)	(2)
Deferred taxation liabilities	-	(3)
Trade and other payables	-	(170)
Total liabilities classified as held for sale	(1)	(193)
Net assets classified as held for sale	7	85

Net assets held for sale as at 31 December 2020 comprise the rehabilitation business within Bupa Villages and Aged Care - New Zealand as well as an office building in Brazil. Net assets held for sale in 2019 comprised a provision business within the Europe and Latin America segment (reclassified out of held for sale in the current year following the cancellation of a planned disposal) and a retirement village in Bupa Villages and Aged Care - New Zealand.

17 Borrowings

The Group has various sources of funding including subordinated bonds, senior unsecured bonds and loans.

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are stated at amortised cost, with any difference between the initial recognition value and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

The Group uses interest rate swaps to manage its interest rate risk on certain borrowings. These meet the criteria for hedge accounting as the derivative acts as a hedge against future fair value movements in the debt. Both the hedged risk and the associated derivative are recognised at fair value, with the carrying value of borrowings being adjusted for the gain or loss on the effective element of the hedged risk. Changes in the fair value of these derivatives are recognised in financial expenses and will offset to the extent the hedging relationship is effective.

	Note	2020 £m	2019 £m
Subordinated liabilities			
Callable subordinated perpetual guaranteed bonds		**-**	336
Fair value adjustment in respect of hedged interest rate risk		**-**	9
Callable subordinated perpetual guaranteed bonds	(a)	**-**	345
Subordinated unguaranteed bonds	(b)	**1,247**	900
Total subordinated liabilities		**1,247**	1,245
Other interest-bearing liabilities			
Senior unsecured bonds	(c)	**997**	695
Fair value adjustment in respect of hedged interest rate risk		**12**	3
Bank loans and overdrafts	(d)	**182**	407
Total other interest-bearing liabilities		**1,191**	1,105
Total borrowings		**2,438**	2,350
Non-current		**2,000**	1,679
Current		**438**	671

	Subordinated liabilities		Other interest-bearing liabilities		Total	
	2020 £m	2019 £m	**2020 £m**	2019 £m	**2020 £m**	2019 £m
At beginning of year	**1,245**	1,255	**1,105**	1,055	**2,350**	2,310
Adoption of IFRS 16 Leases (note 1.5(d))	**-**	-	**-**	(4)	**-**	(4)
Business combinations	**-**	-	**1**	2	**1**	2
Net proceeds	**20**	-	**50**	83	**70**	83
Interest payments	**(72)**	(65)	**(28)**	(22)	**(100)**	(87)
Accrued interest and amortisation	**63**	67	**28**	23	**91**	90
Fair value adjustment in respect of hedged risk	**(9)**	(12)	**9**	7	**-**	(5)
Transfer from/(to) liabilities associated with assets held for sale	**-**	-	**18**	(18)	**18**	(18)
Foreign exchange	**-**	-	**8**	(21)	**8**	(21)
At end of year	**1,247**	1,245	**1,191**	1,105	**2,438**	2,350

(a) Callable subordinated perpetual guaranteed bonds
The callable subordinated perpetual guaranteed bonds were fully repaid on 16 September 2020.

The total hedged fair value of the callable subordinated perpetual guaranteed bonds, net of accrued interest, was £345m as at 31 December 2019, with the valuation adjustment being the change in value arising from interest rate risk which was matched by the fair value of swap contracts in place to hedge that risk.

(b) Subordinated unguaranteed bonds
The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £1,247m (2019: £1,245m).

On 25 June 2020, the Company issued £350m of unguaranteed subordinated bonds which mature on 14 June 2035. Interest is payable on the bonds at 4.125%. In the event of the winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company.

On 8 December 2016, the Company issued £400m of unguaranteed subordinated bonds which mature on 8 December 2026. Interest is payable on the bonds at 5.0% per annum. In the event of winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company.

On 25 April 2013, the Company issued £500m of unguaranteed subordinated bonds which mature on 25 April 2023. Interest is payable on the bonds at 5.0% per annum. In the event of the winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company.

(c) Senior unsecured bonds
On 25 June 2020, the Company issued £300m of senior unsecured bonds which mature on 14 June 2027. Interest is payable on the bonds at 1.750%. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest capitalised issue costs and discounts, is £300m (2019: £nil). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 5 April 2017, the Company issued £300m of senior unsecured bonds, guaranteed by the Parent, which mature on 5 April 2024. Interest is payable on the bonds at 2.0% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £310m (2019: £302m). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 17 June 2014, the Company issued £350m of senior unsecured bonds, guaranteed by the Parent, which mature on 17 June 2021. Interest is payable on the bonds at 3.375% per annum.

On 30 June 2012, Cruz Blanca Salud S.A., now Bupa Chile, issued UF1.6m (£49m) (Unidad de Fomento - an inflation-linked currency commonly used in Chile) of inflation-linked senior unsecured bonds which mature on 30 June 2033.

(d) Bank loans and bank overdrafts
Bank loans are £182m (2019: £407m), which includes a portfolio of loans held in Bupa Chile totalling £128m (2019: £137m) and a tri syndicated loan held in Especializada y Primaria L'Horta-Manises S.A.U. of £14m (2019: £nil).

The Group maintains an £800m revolving credit facility which matures in August 2022. The facility was undrawn as at 31 December 2020 (2019: £230m). Drawings under the £800m facility are subject are guaranteed by the Parent and several other companies within the Group. The bank loans and overdrafts bear interest at commercial rates linked to LIBOR, or EURIBOR, or at a commercial fixed rate.

A £40m bilateral loan facility was fully drawn down at the end of year (2019: £40m).

Fair value of financial liabilities

The fair value of a financial liability is defined as the amount for which a financial liability could be exchanged in an arm's-length transaction between informed and willing parties. Fair values disclosed in the table below have been calculated as follows:

- Subordinated liabilities – quoted price
- Senior unsecured bonds – quoted price
- Secured loans – quoted price.

The fair values of quoted liabilities in active markets are based on current offer prices. The fair values of financial liabilities for which there is no active market are established using valuation techniques corroborated by independent third parties. These may include reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

Financial liabilities are categorised into a three-level hierarchy. A description of the different levels is detailed in note 9 along with the market interest rates used to discount financial liabilities, where the fair value cannot otherwise be found from quoted market values.

An analysis of borrowings by fair value classification is as follows:

	2020			2019		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	£m	**£m**	**£m**	£m	£m	£m
Subordinated liabilities	**1,424**	**-**	**1,424**	1,279	-	1,279
Senior unsecured bonds	**983**	**49**	**1,032**	661	46	707
Bank loans and overdrafts	**-**	**182**	**182**	-	407	407
Total	**2,407**	**231**	**2,638**	1,940	453	2,393

The Group does not have any Level 3 financial liabilities.

18 Lease liabilities

Leases are contracts that convey the right to use an asset for a period of time in exchange for consideration. The majority of the Group's leases relate to properties.

The Group's leases primarily relate to hospitals, care homes, clinics and office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Property leases will often include extension and termination options, open market rent reviews, indexation uplifts or fixed uplifts.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the individual lessee company's incremental borrowing rate taking into account the duration of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restorations costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the IFRS 16 contractual lease term where occupancy of the property is expected to be longer than the existing contract. The movement of the right-of-use asset is disclosed in note 4.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

Lease liabilities

	Note	2020 £m	2019 £m
At the beginning of the year		**1,062**	-
Adoption of IFRS 16 Leases	1.5(d)	**-**	1,095
Additions arising on business combinations		**2**	-
Additions		**47**	126
Remeasurement		**5**	(3)
Interest on lease liabilities		**54**	57
Repayments		**(180)**	(171)
Transfer to liabilities associated with assets held for sale		**(1)**	(2)
Foreign exchange		**21**	(40)
At end of year		**1,010**	1,062
Non-current		**885**	945
Current		**125**	117

See note 25.4 for maturity analysis of lease liabilities.

Expenses
The Consolidated Income Statement includes expenses relating to short-term leases of £nil (2019: £1m) and expenses relating to leases of low value assets of £1m (2019: £1m). Depreciation of right-of-use assets are reported in note 4. Interest on lease liabilities are reported as financial expenses (see note 2.5).

Extension options
Some property leases in the Group contain extension options exercisable by the lessee before the end of the non-cancellable contract period. The period covered by extension options is only included in the lease term if the lessee is reasonably certain to exercise the option. At lease commencement an assessment is performed of whether it is reasonably certain to exercise the extension options, taking into account factors like future timing of options, economic incentives for the lessee to exercise the option or lessee's past practice. The Group reassesses whether it is reasonably certain to exercise the extension option if there is a significant event or change in circumstances within its control.

As at 31 December 2020, potential discounted future cash outflows of £368m (2019: £280m) have not been included in the lease liability because it is not reasonably certain that the option to extend will be taken.

Termination options
A number of lease contracts in the Group contain termination options. The period covered by termination options are only included in the lease term if the lessee is reasonably certain not to exercise the option.

As at 31 December 2020, potential discounted future cash outflows of £51m (2019: £34m) have not been included in the lease liability because it is not reasonably certain that the option to terminate will not be taken.

Future lease commitments
The Group is committed to leases that have not yet commenced to the value of £26m at 31 December 2020 (2019: £33m).

Variable lease payments
Some leases, predominantly of care home properties in Spain, contain variable lease payments that are based on earnings. The future potential cash flows arising from variable lease payments not included in the lease liability is estimated at £13m (2019: £9m).

19 Provisions arising from insurance contracts and other liabilities arising from insurance business

The provisions arising from insurance contracts and other liabilities arising from insurance business arise from the Group's underwriting activities. The provisions mainly relate to unearned premiums, which are deferred revenues that relate to future periods; and claims, where an estimate is made of the expense required to settle existing obligations to insurance customers. The other liabilities primarily consist of obligations to repay deposits and commissions payable.

19.1 Provisions arising from insurance contracts

Unearned premiums
The unearned premium provision represents premiums written that relate to periods of risk in future accounting periods. It is calculated on a straight-line basis, which is not materially different from a calculation based on the pattern of incidence of risk.

In circumstances where a return of premiums is due to policyholders, a provision for the return of premium is established within the provision for unearned premiums. The return of premium provision is treated as an adjustment to the initial premium, reducing gross premium income. At 31 December 2020, a return of premium provision of £145m (2019: £nil) has been established due to Bupa Insurance Limited making a commitment to pass back any exceptional financial benefits experienced by the UK PMI business that ultimately arise as a result of COVID-19 to customers.

The return of premium is calculated by estimating the net reduction in claims costs due to the disruption caused by COVID-19, and subtracting incremental costs and profit impacts attributable to COVID-19 and the estimated costs of deferred claims expected to rebound after the reporting date. The key assumption in determining the return of premium provision is the value of deferred claims expected to rebound (currently £57m), with this being sensitive to additional capacity available in independent healthcare services and patient utilisation. An increase in the claims rebound assumption by £30m would reduce the provision by £30m, increasing profit before tax by £26m, whilst a decrease in that assumption by £30m would have the opposite impact. The change could be as a result of a higher or lower average cost and, or, a larger or smaller number of deferred claims rebounding through 2021. For example, an increase in the value of claims expected to rebound to £87m could be caused by up to c.10% incremental healthcare services capacity being utilised for longer, whilst a decrease to £27m could be caused by lower capacity utilisation of up to c.5% for a shorter period of time.

In either scenario the return of premium would be directly impacted by the change in the estimated deferred claims rebound. Claims are only provided for when a claims episode has occurred, so delays to medical treatments that result in a reduction in claims in 2020 that are expected to rebound after 2020, and therefore not included in the return of premium, increase profit in 2020 with the expectation that there will be an equivalent reduction in profit when the claims rebound.

Unexpired risk provision
Liability adequacy tests are performed for the Group's insurance entities. For short-duration contracts, a premium deficiency is recognised if the sum of expected costs of future claims including claims that may have been deferred as a result of COVID-19 disruption and claim adjustment expenses, capitalised deferred acquisition costs, and maintenance expenses exceeds the corresponding unearned premiums while considering anticipated investment income. Any identified deficiency is charged to the Consolidated Income Statement, initially by writing off deferred acquisition costs, and subsequently by establishing an unexpired risk provision for losses arising in excess of deferred acquisition costs.

At 31 December 2020, an unexpired risk provision of £5m has been recognised (2019: £nil).

Provision for claims
The gross provision for claims represents the estimated liability arising from claims episodes delivered in current and preceding financial years which have not yet given rise to claims paid. A claims episode is an insured medical service that the Group has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. During 2020, the gross provision for claims has included deferred claims provisions for claims episodes that have not taken place by the reporting date where the Group has a constructive obligation to fund deferred medical services, due to regulatory or other public commitments following periods of severe service disruption, as has been the case with COVID-19. This constitutes a change in accounting estimate in response to the exceptional circumstances that have arisen during the pandemic.

The gross provision for claims is estimated based on current information, and the ultimate liability may vary as a result of subsequent information and events. The provision includes an allowance for claims management and handling expenses.

Adjustments to the amount of claims provision for prior years are included in the Consolidated Income Statement in the financial year in which the change is made. In setting the provisions for claims outstanding, a best estimate is determined on an undiscounted basis and then a margin of prudence is added such that there is confidence that future claims will be met from the provisions. The level of prudence is set based on the historic accuracy of initial estimation to ultimate claims, in order to mitigate the degree of uncertainty attached to the underlying provision to an appropriate degree of confidence.

The expected claims are calculated having regard only to contracts commencing prior to the balance sheet date. The methods used and estimates made for claims provisions are reviewed regularly.

The Group is holding a provision for deferred claims of £171m as at 31 December 2020. The provision has been established solely in respect of the health insurance business in Australia, where the Australian prudential regulator ('APRA') has mandated the need to provide for the rebound of claims following the COVID-19 disruption, creating a constructive obligation for the Group to pay claims in relation to the disrupted business. The estimated cost of claims expected to rebound after the reporting date has been calculated as a proportion (the deferral factor) of the observed shortfall in incurred claims, compared with pre-COVID-19 expectations. This has been recognised on a best estimate basis, together with an allowance for claims handling costs and an additional risk margin. The deferred claims provision is expected to be fully utilised over the next 12 months.

The key assumption in determining the deferred claims is the assumed deferral factor. An increase in the deferral rate by 10% would reduce profit by £20m. A decrease in the assumption by the same amount would have the opposite impact.

Other insurance businesses in the Group have held deferred claims provisions during 2020 as a result of the Group's constructive obligations to provide services even if the service were to postdate a customer's contract period after periods of severe COVID-19 disruption. However, as at 31 December 2020 restrictions on access to private medical services have largely been removed, and as such no such obligation to provide services beyond contractual terms exists.

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
General insurance business						
Provisions for unearned premiums	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922
Provisions for claims	**1,083**	**(7)**	**1,076**	865	(9)	856
Long-term business						
Life insurance contract liabilities	**35**	**-**	**35**	34	-	34
Total insurance provisions	**3,212**	**(24)**	**3,188**	2,836	(24)	2,812
Non-current	**52**	**-**	**52**	57	-	57
Current	**3,160**	**(24)**	**3,136**	2,779	(24)	2,755

(i) Analysis of movements in provisions for unearned premiums

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
At beginning of year	**1,937**	**(15)**	**1,922**	1,845	(14)	1,831
Additions through business combinations	**-**	**-**	**-**	114	-	114
Premiums deferred	**8,909**	**(97)**	**8,812**	9,097	(78)	9,019
Establishment of return of premium provision[1]	**145**	**-**	**145**	-	-	-
Deferred premiums released to income	**(8,908)**	**95**	**(8,813)**	(9,077)	79	(8,998)
Increase in unexpired risk provision	**5**	**-**	**5**	-	-	-
Foreign exchange	**6**	**-**	**6**	(42)	(2)	(44)
At end of year	**2,094**	**(17)**	**2,077**	1,937	(15)	1,922

1. Of the £145m return of premium provision, £127m was earned as at 31 December 2020.

(ii) Analysis of movements in provisions for claims

	2020			2019		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£m	**£m**	**£m**	£m	£m	£m
At beginning of year	**865**	**(9)**	**856**	875	(8)	867
Additions through business combinations	**-**	**-**	**-**	35	(1)	34
Increase for current year claims	**6,639**	**(56)**	**6,583**	7,381	(54)	7,327
Cash paid to settle claims	**(6,576)**	**58**	**(6,518)**	(7,316)	56	(7,260)
Decrease for prior year claims	**(32)**	**(1)**	**(33)**	(62)	(2)	(64)
Establishment of deferred claims provision	**171**	**-**	**171**	-	-	-
Foreign exchange	**16**	**1**	**17**	(48)	-	(48)
At end of year	**1,083**	**(7)**	**1,076**	865	(9)	856

Assumptions for general insurance business

The process of recognising liabilities arising from general insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing whether additional provisions for unexpired risk are required. The principal assumptions in the estimation of the liability relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends. The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made. The resulting provisions for outstanding claims incorporate a margin for adverse deviation, over and above the best estimate liability, the quantum of which reflects the level of this uncertainty.

Claims development patterns are analysed in each of the Group's insurance entities. Where distinct sub-portfolios with different claims cost and development characteristics exist, further analysis is undertaken to derive assumptions for reserving that are appropriate and can be applied to relatively homogeneous groups of policies. Such sub-portfolios may be defined by product line, risk profile, geography or market sector. Various established reserving methods for general insurance are considered, typically basic chain ladder, Bornhuetter-Ferguson and pure risk cost methods. Additional consideration is given to the treatment of large claims, claim seasonality, claims inflation and currency effects, for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims across the Group, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which benefit is claimed. Medical expense claims are, typically, substantially fully-settled within just a few months.

Insurance provisions are inevitably estimates. Actual experience of claims costs and/or administrative expenses may vary from that anticipated in the reserving estimates. Deferred claims provisions that have been recognised because the Group has a constructive obligation to reserve for deferred claims are calculated separately from the base outstanding claims provision.

The following table shows the impact on profit before tax of reasonably possible variations in assumptions in the carrying value of insurance contract liabilities at the end of the reporting period:

	Increase in claims	Increase in expenses
2020		
Change in variable	**5%**	**10%**
Reduction in profit net of reinsurance before taxation[1]	**£28m**	**£2m**
2019		
Change in variable	5%	10%
Reduction in profit net of reinsurance before taxation	£26m	£2m

1. The deferred claims provision of £171m has been excluded from this sensitivity.

These variances would reduce the amount of profit before tax that would otherwise emerge in subsequent periods.

The Group's long-term insurance business does not form a core part of its operations.

19.2 Other liabilities arising from insurance business

Other liabilities arising from insurance business consist of payables to insurance creditors other than policyholders.

	2020 £m	2019 £m
Reinsurers' deposits	**8**	6
Reinsurance creditors	**67**	77
Commissions payable	**31**	26
Other insurance payables	**56**	37
Total other liabilities arising from insurance business	**162**	146

20 Provisions for liabilities and charges

A provision is recognised when the Group is expected to make future payments as a result of a past event.

These payments can result from a legal obligation or a constructive obligation, where an expectation has been set by the Group. A provision is made where an outflow of resources is probable and where the payments can be reliably estimated. If the effect is material, provisions are determined by discounting the estimated future payments at a pre-taxation rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Although provisions are made where payments can be reliably estimated, the amounts provided are based on a number of assumptions which are inherently uncertain and therefore the amount that is ultimately paid could differ from the amount recorded.

	Long service and annual leave £m	**Deferred and contingent consideration £m**	**Customer remediation and legal provisions £m**	**Property restoration provision £m**	**Regulatory provisions £m**	**Other £m**	**Total £m**
At beginning of year	77	32	13	23	-	31	**176**
Interest on obligations	-	-	-	1	-	-	**1**
Charge for year	50	5	21	3	5	35	**119**
Released in year	-	(8)	(6)	(1)	-	(5)	**(20)**
Utilised in year - cash	(35)	(13)	(1)	-	(5)	(3)	**(57)**
Foreign exchange	3	-	-	-	-	-	**3**
Total provisions for liabilities and charges	95	16	27	26	-	58	**222**
Non-current	32	6	5	24	-	4	**71**
Current	63	10	22	2	-	54	**151**

Long service and annual leave
The long service leave provision relates to territories where employees are legally entitled to substantial paid leave after completing a certain length of qualifying service. Uncertainty around both the amount and timing of future outflows arises as a result of variations in employee retention rates, which may vary based on historical experience. The annual leave provision relates

to territories where the annual entitlement of leave is not required to be taken within a predetermined time nor does it expire. Therefore, uncertainty exists around the timing of future outflows as well as around the amount of future outflows due to wage inflation.

Provisions for contingent consideration
Contingent consideration is a financial liability largely related to earn-out payable on acquisitions of dental practices in the UK, Poland and Australia, as well as business combinations in Chile. This balance is reviewed at each reporting period and any fair value adjustments are recorded in the Consolidated Income Statement.

Customer remediation and legal provisions
Customer remediation provisions relate to the costs of compensating customers for losses or damages associated with a failure to comply with regulations or to treat customers fairly. Legal provisions relate to potential and ongoing legal claims and represent the discounted fair value of total estimated liabilities. Due to the nature of these provisions, the timing and potential cost is uncertain.

Property restoration provisions
Property restoration provisions relate to the estimate of costs to be incurred by the Group in its capacity as a lessee, when dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. Due to potential future renewals of leases, the timing and potential cost is uncertain.

Regulatory provisions
Regulatory provisions relate to levies payable to customer protection bodies by the Group's various regulated entities. Such levies are generally determined on a 'capped percentage of revenues' basis. Payments are normally made annually, although the frequency may be increased or decreased at the discretion of the customer protection bodies.

Other
Other provisions includes clawbacks on NHS contracts within Bupa Dental Care UK, provisions for ongoing costs relating to businesses disposed of in prior years and restructuring costs.

21 Trade and other payables

Trade and other payables arise in the ordinary course of business.

	Note	2020 £m	2019 £m
Accruals		**683**	466
Refundable accommodation deposits	(a)	**503**	555
Amounts owed to Ultimate Parent Company		**103**	142
Trade payables		**216**	184
Other payables		**247**	215
Occupational right agreement liabilities	(b)	**230**	194
Deferred income and deferred revenue	(c)	**109**	93
Social security and other taxes		**60**	49
Total trade and other payables		**2,151**	1,898
Non-current		**11**	20
Current		**2,140**	1,878

Trade and other payables (excluding deferred revenue) are carried at amortised cost.

The carrying value of the trade and other payables is a reasonable approximation of the fair value. Information regarding the maturity of trade payables, other payables, refundable accommodation deposits and accruals is shown in note 25.4.

(a) Refundable accommodation deposits
Refundable accommodation deposits are non-interest bearing deposits paid by some residents of care homes held in Bupa Aged Care Australia as payment for a place in the care home facility. These deposits are repayable at any time when the resident leaves the facility and are therefore not discounted. The deposits are recorded as the proceeds received, net of amounts deducted at the election of the resident.

(b) Occupational right agreement liabilities
Occupational right agreement liabilities represent the amount payable to a resident on termination of the resident's occupation rights to an independent living unit in a retirement village in New Zealand or Australia. The liability varies according to the agreement with the resident. Changes in the value of the liability are recorded as an expense in the Consolidated Income Statement. Residents have the right to cancel their residency agreement with the Group at any time. As such, the liability is not discounted (based on the expected date of settlement) but is recognised as a current liability in the Consolidated Statement of Financial Position. Occupational right agreement liabilities are held net of deferred management fees and amenities fees receivable.

(c) Deferred income and deferred revenue
The total balance of £109m (2019: £93m) includes £74m (2019: £64m) of deferred revenue under IFRS 15, related primarily to care home government funding received in advance. The liability is released and recognised as revenue as the services are provided and the performance obligations are satisfied.

Changes in the contract liabilities balances in respect of deferred revenue from care, health and other customer contracts during the period are as follows:

	2020 £m	2019 £m
At beginning of year	**64**	52
Revenue recognised in the period	**(144)**	(159)
Deferred revenue in the period	**151**	173
Foreign exchange	**3**	(2)
At end of year	**74**	64

Revenue recognised in the period includes £64m (2019: £52m) of revenue that was deferred at the beginning of the year. £65m (2019: £54m) of revenue deferred as at 31 December 2020 will be recognised during 2021 as the performance obligations are satisfied. £9m (2019: £10m) of revenue deferred as at 31 December 2020 will be recognised over the remaining contract period.

22 Equity

	2020 **£m**	2019 £m
Allocated, called up and fully paid		
200,050,000 ordinary shares of £1 each	**200**	200

23 Business combinations and disposals

A business combination refers to the acquisition of a controlling interest in a business, which is further defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing economic benefits to the owners. A disposal refers to the sale of a subsidiary.

Business combinations are accounted for using the acquisition method. Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any non-controlling interests are recognised as a proportionate share of the acquiree's net identifiable assets.

The identification and valuation of intangible assets arising on business combinations is subject to a degree of estimation and judgement. We engage independent third parties to assist with the identification and valuation process. In valuing these intangible assets, market accepted methodologies have been applied. Customer relationships are valued using methodologies such as the Multi-period Excess Earnings Method (where the value of an intangible asset is equal to the present value of the after-tax cash flows attributable only to that intangible asset). Brands and trademarks are valued using methodologies such as the Relief from Royalty method (applying an estimated royalty rate to the projected sales relating to each asset over the economic life).

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets acquired is recorded as goodwill.

Acquisition accounting must be completed within 12 months of the transaction date.

Costs related to the acquisition are expensed as incurred.

(a) 2020 acquisitions
Minor acquisitions were made in the year ended 31 December 2020 in Australia and New Zealand, Europe and Latin America and Bupa Dental Care in Bupa Global and UK.

Acquisitions of a hospital, clinics and dental centres in LuxMed generated goodwill of £4m in the year, with the acquisition of a small IVF clinic in Spain generating a further £1m of goodwill. Continued expansion of dental clinics in Australia, Spain and the UK generated further goodwill of £8m.

Included in the Group Consolidated Statement of Comprehensive Income is revenue of £5m and a loss before taxation of £1m in relation to those businesses acquired in the year. If the acquisition date of the businesses acquired during the year had been 1 January 2020, revenue of £12,121m and a profit before taxation of £502m would have been recorded by the Group for the year ended 31 December 2020.

	Fair value £m
Property, plant and equipment	13
Other interest-bearing liabilities	(1)
Lease liabilities	(2)
Trade and other payables	(8)
Net assets acquired	**2**
Net assets acquired	2
Goodwill	13
Consideration	**15**
Consideration satisfied by:	
Cash	12
Deferred and contingent consideration	3
Total consideration paid	**15**
Purchase consideration settled in cash	12
Overdraft acquired on acquisition	1
Net cash outflow on acquisition	**13**
Settlement of deferred and contingent consideration	12
Net cash outflow associated with acquisitions	**25**

(b) 2020 disposals

During the year the Group disposed of three care home businesses in Australia for cash consideration of £23m, realising a net gain on disposal of £2m.

(c) 2019 acquisitions

On 17 January 2019, Bupa acquired 100% of the ordinary share capital of Turkish company, Acıbadem Sağlık ve Hayat Sigorta A.S., the holding company of Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ (together 'Acıbadem'), for cash consideration of £138m. Acquired intangible assets of £42m comprised key direct customer relationships and distribution channels (relationships with agents and brokers) of £34m, brand of £5m and software of £3m. The associated goodwill of £57m reflected expected future synergies from the integration of Acıbadem into the Bupa Group.

During 2019, Bupa Dental Care UK continued to expand through the acquisition of 23 further dental centres for a total consideration of £83m, of which £9m was deferred and contingent. Identified intangible assets included customer relationships of £45m and goodwill of £40m was recognised which represents the continued future growth expected to be achieved through the development of the Group's dental insurance business.

Further minor acquisitions across the Group included the acquisitions of hospitals, clinics and dental centres in Poland which generated further goodwill of £11m and the continued expansion in dental centres in Australia which generated goodwill of £10m.

Acquisition transaction costs expensed in the year ended 31 December 2019, within other operating expenses, total £4m.

Included in the Group Consolidated Statement of Comprehensive Income for 2019 is revenue of £604m and a profit before taxation of £55m in relation to those businesses acquired in the prior year. If the acquisition date of the businesses acquired during the year had been 1 January 2019, revenue of £12,385m and a profit before taxation of £47m would have been recorded by the Group for the year ended 31 December 2019.

	Fair value		
	Acıbadem £m	**Other £m**	**Total £m**
Intangible assets	42	46	88
Property, plant and equipment	1	14	15
Financial investments	91	-	91
Current taxation	1	-	1
Inventories	-	1	1
Trade and other receivables	84	4	88
Cash and cash equivalents	29	3	32
Other interest-bearing liabilities	-	(2)	(2)
Provisions arising from insurance contracts	(149)	-	(149)
Provisions for liabilities and charges	(6)	(1)	(7)
Deferred taxation liabilities	(5)	(9)	(14)
Trade and other payables	(3)	(7)	(10)
Other liabilities arising from insurance business	(4)	-	(4)
Net assets acquired	**81**	**49**	**130**
Net assets acquired	81	49	130
Goodwill	57	61	118
Consideration	**138**	**110**	**248**
Consideration satisfied by:			
Cash	138	98	236
Deferred and contingent consideration	-	12	12
Total consideration paid	**138**	**110**	**248**
Purchase consideration settled in cash	138	98	236
Acquisition of non-controlling interest in subsidiary	-	2	2
Cash acquired on acquisition	(29)	(3)	(32)
Net cash outflow on acquisition	**109**	**97**	**206**
Settlement of deferred and contingent consideration	-	9	9
Net cash outflow associated with acquisitions	**109**	**106**	**215**

(d) 2019 disposals

There were no material disposals during the year ended 31 December 2019.

24 Capital management

The Company's parent, Bupa, is a company limited by guarantee, with no shareholders. It is funded through retained earnings and borrowings. Bupa's capital management objective is to maintain sufficient capital to protect the interests of its customers, investors, regulators and trading partners while deploying capital efficiently and managing risk to enable Bupa to continue to deliver its purpose in a sustainable manner. Profits are therefore reinvested to develop the Bupa's business for the benefit of current and future customers.

Bupa is subject to the requirements of the Solvency II Directive and it must hold sufficient capital to cover its Group Solvency Capital Requirement ('SCR'), which takes account of the risks in Bupa, including those related to non-insurance businesses. The 2020 claims experience has not been included in the GSP data set. It is the Group's judgement that the exceptional volatility experienced in 2020 claims as a result of COVID-19, is not representative of future premium risk.

Bupa's SCR is calculated in accordance with the Standard Formula specified in the Solvency II Directive. Bupa has obtained approval from the Prudential Regulation Authority ('PRA') to substitute the insurance premium risk parameter in the Standard Formula with a Group Specific Parameter ('GSP') which reflects Bupa's own loss experience.

The capital positions of Bupa and its main regulated insurance entities are kept under constant review and these are reported quarterly to the Bupa Board.

Bupa's capital resources are managed in line with Bupa's Capital Management Policy. While Bupa is subject to the Solvency II requirements at a consolidated level, all regulated entities within the Group maintain sufficient capital resources to meet any minimum capital requirement required by respective local regulators. In addition, Bupa and its regulated entities maintain a buffer over the regulatory minimum requirements in line with their capital risk appetites. During the year, Bupa and its regulated entities complied with all externally imposed capital requirements to which they were subject. The ability of the Group's regulated entities to transfer funds to Group is subject to local solvency requirements.

Bupa has target ranges for solvency, leverage and interest cover ratios with a view to maintaining a long-term senior credit rating for the Company of A- with Fitch and A3 with Moody's. Bupa as a whole is not rated by any rating agency. Individual debt issues and certain subsidiaries within the Group have public ratings.

At least annually, Bupa carries out an Economic Capital Assessment ('ECA') in which it makes its own quantification of how much capital is required to support its risks. The ECA is used to assess how well the Standard Formula SCR reflects Bupa's actual risk profile.

The ECA forms part of the Own Risk and Solvency Assessment ('ORSA') which comprises the activities by which Bupa establishes the level of capital required to meet its solvency needs over the planning period given Bupa's strategy and risk appetite. The conclusions from these activities are summarised in the ORSA report which is reviewed by the Bupa Risk Committee, approved by the Bupa Board and submitted to the PRA annually.

Bupa's eligible Own Funds include the Group IFRS net assets (£6,728m) and standalone net assets of the Parent valued on a Solvency II basis, together with eligible subordinated liabilities, subject to adjustments for non-available assets and non-controlling interests.

As at 31 December 2020, Bupa's eligible Own Funds, determined in accordance with the Solvency II valuation rules, were £4.0bn[1] (2019: £3.9bn), which was in excess of the Group estimated SCR of £2.5bn[1] (2019: £2.4bn). This represented a solvency coverage ratio of 160%[1] (2019: 159%).

1. The Solvency II Capital Position (eligible Own Funds, SCR and coverage ratio) is estimated and unaudited.

25 Risk management

The Bupa Risk Committee has responsibility to the Board for the oversight of risk. It recommends to the Board a risk appetite that reflects Bupa's purpose and expresses the degree of risk Bupa should accept in delivering on its strategy.

The Group operates a 'three lines of defence' approach to the governance of risk management.

1. Business management and employees are responsible for the identification and assessment of risks and controls.
2. Risk, Compliance and Clinical Governance functions provide support and challenge the completeness and accuracy of risk assessments and the adequacy of mitigation plans.
3. Internal Audit provides independent and objective assurance on the robustness of the risk management framework, and the appropriateness and effectiveness of internal controls.

The operations of the risk management framework and current principal risks of the Group and how they are mitigated are described on pages 14 to 21.

The Group has adopted a risk management strategy that endeavours to mitigate these risks, which is approved by the Board. In managing these exposures, the Corporate Finance Executive Committee reviews and recommends changes to the management of insurance and investment risks.

The Group has exposure to a number of risks associated with its insurance business and from its use of financial instruments. These have been categorised into the following types of risk, and details of the nature, extent, and how the Group has managed these risks is described below.

- Insurance risk
- Market risk
- Credit risk
- Liquidity risk

25.1 Insurance risk

Insurance risk only affects the insurance entities in the Group. It consists of underwriting risks which relate to the potential inadequacy of insurance premiums, as well as reserving risk which relates to the potential inadequacy of claims provisions.

(i) Underwriting risk

Underwriting risk refers to the potential deviation from the actuarial assumptions used for setting insurance premium rates which could lead to premium inadequacy. Underwriting risk is therefore concerned with both the setting of adequate premium rates (pricing risk) and the management of claims (claims risk) for insurance policies underwritten by the Group.

Pricing risk

Pricing risk relates to the setting of adequate premium rates taking into consideration the volume and characteristics of the insurance policies issued. External influences on pricing risk include (but are not limited to) competitors' pricing and product design initiatives, and regulatory environments. The level of influence from these external factors can vary significantly between regions and largely depend on the maturity of health insurance markets and the role of the regulator. Actuarial analysis performed on a regular basis combined with an understanding of local market dynamics and the ability to change insurance premium rates when necessary are effective risk mitigations.

In every general insurer in the Group, the dominant product or policy category is an annually renewable health insurance contract. This permits insurance premium rate revisions to respond quickly to changes in customer risk profiles, claims experience and market considerations.

The ability to review premium rates is a significant mitigant to pricing risk. The Group does not underwrite material general insurance business that commits it to cover risks at premiums fixed beyond a 12-month period from inception or renewal.

The direct impacts of climate change on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of our products allows us to respond to these developments, although this can be limited by pricing controls in some markets.

Claims risk
Claims risk is the risk of claims exceeding the amounts assumed in the premium rates. This can be driven by an adverse fluctuation in the amount and incidence of claims incurred and external factors such as medical inflation.

Claims risk is managed and controlled by means of pre-authorisation of claims, outpatient benefit limits, the use of consultant networks and agreed networks of hospitals and charges. Specific claims management processes vary across the Group depending on local requirements, market environment and practice.

Adverse claims experience, for example, which is caused by external factors such as medical inflation, will affect cash flows after the date of the financial statements. Recent adverse claims experience is reflected in these financial statements in claims paid and in the movement in the claims provisions.

Generally, the Group's health insurance contracts provide for the reimbursement of incurred medical expenses, typically in-hospital for treatment related to acute, rather than chronic, medical conditions. The contracts do not provide for capital sums or indemnified amounts. Therefore, claims experience is underpinned by prevailing rates of illness events giving rise to hospitalisations. Claims risk is generally mitigated by having processes to ensure that both the treatments and the resulting reimbursements are appropriate.

(ii) Reserving risk
Reserving risk is the risk that provisions made for claims prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared with underwriting risk due to the very short-term nature of our claims development patterns. The short-term nature of the Group's general insurance contracts means that movements in claims development assumptions are generally not significant. The development claims settlement patterns are kept under constant review to maintain the validity of the assumptions and, hence, the validity of the estimation of recognised general insurance liabilities.

The amount of claims provision at any given time that relates to potential claims payments that have not been resolved within one year is relatively small in the context of the Group. The small provisions that relate to longer than one year can be calculated with reasonable confidence.

In the early stages of the pandemic, government restrictions across many of our markets affected insurance customers' ability to access treatment in private healthcare facilities and make claims, particularly for elective procedures. A proportion of the resultant shortfall in claims is expected to rebound after the reporting date and this could result in the cost of claims increasing in the long run, due to the deferred costs of treating undiagnosed or under-treated illnesses. The Group has established reserves for these deferred claims where a constructive obligation exists. As with any reserve of this nature, there is inherent uncertainty in the key judgements, which may impact future results, particularly should further lockdowns or significant restrictions to the supply of private healthcare occur in future.

(iii) Other risks related to underwriting health insurance business
Claims provisions are not discounted and their short-term nature means that changes in interest rates have no impact on reserving risk. In addition, the future premium income and claims outflows of health insurance premium liabilities are largely unaffected by changes in interest rates. However, changes to inflationary factors such as wage inflation and medical cost inflation affect the value of future claims outflows.

None of the Group's general insurance contracts contain embedded derivatives so there are no additional financial risks, including interest rate risk, arising from the contracts.

The Group is exposed to foreign currency risk through some of the insurance liabilities which are settled in a local currency. Where possible these liabilities are matched to assets in the relevant currency to hedge this exposure.

The majority of the Group's general insurance activities are single line health portfolios. Even though only one line of business is involved, the Group does not have significant concentration of insurance risk for the following reasons:

- broad geographical diversity across several markets – across the UK, Spain, Australia, Latin America, Turkey, the Middle East and Hong Kong
- product diversity between domestic and expatriate, and individual and corporate health insurance

- a variety of claims type exposures across diverse medical providers: consultants, clinics, individual hospitals and hospital groups.

The Group as a whole, and its principal general insurance entities, are well diversified in respect of insurance risk. Only in selected circumstances does the Group use reinsurance. The reinsurance used does not give rise to a material counterparty default credit risk exposure for the Group. Restrictions are in place on the credit quality and amount of reinsurance ceded to individual counterparties.

(iv) Catastrophe risk
A natural disaster or a manmade disaster could potentially lead to a larger than expected number of claims being received over a short period of time, resulting in higher than expected claims costs. In the majority of jurisdictions Bupa is not contractually liable for such claims. Risks are further reduced by excess of loss insurance provided by third party insurers. Bupa's Group Actuarial function oversees and implements strategic improvements to ensure overall adequacy of these arrangements.

25.2 Market risk
Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates, commodity prices, credit spreads and equity prices. The focus of the Group's long-term financial strategy is to facilitate growth without undue balance sheet risk.

In order to reduce the risk of assets being insufficient to meet future policyholder obligations, the Group actively manages assets using an approach that balances duration, quality, diversification, liquidity and investment return.

The Group invests in a limited portfolio of return-seeking assets (principally bonds and loans) via our regulated entities in the UK and Australia. These assets totalled £559m as at 31 December 2020 (2019: £490m). These entities use value at risk analysis ('VaR') to quantify risk, taking account of asset volatility and correlation between asset classes.

In addition to local VaR analysis, the Group applies an aggregate VaR limit to all cash and investments within the regulated insurance entities. The Group also limits the contribution of the combined investment risk charge from all cash and investments, in both insurance and provision businesses, to a maximum percentage of the Group's solvency capital requirement ('SCR').

25.2.1 Foreign exchange risk
The Group is exposed to foreign exchange risks arising from commercial transactions and from recognising assets, liabilities and investments in overseas operations. The Group is exposed to both transaction and translation risk. The former is the risk that a company's cash flows and realised profits may be impacted by movements in foreign exchange rates. The latter arises from translating the financial statements of a foreign operation into the Group's functional currency.

The results and financial position of the Group's foreign entities that do not have a functional currency of sterling are translated into sterling as follows:

- assets and liabilities at the exchange rate at the balance sheet date
- income and expenses at average rates for the period.

All foreign exchange differences arising on translation are recognised initially in the Consolidated Statement of Comprehensive Income, and are only subsequently reclassified to the Consolidated Income Statement in the period in which the entity is eventually disposed of.

Foreign currency transactions in the Group's subsidiary companies are measured using the functional currency of the subsidiary company, which is based on the primary economic environment in which the subsidiary operates. The transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling at the balance sheet date; the resulting foreign exchange gain or loss is recognised in operating expenses, except where the gain or loss arises on financial assets or liabilities, when it is presented in financial income or financial expense as appropriate.

Non-monetary assets and liabilities denominated in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction; therefore, no exchange differences arise.

Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated using the exchange rate ruling at the date that the fair value was determined. Transactional foreign exchange differences are recognised in operating expenses.

Transactional exposures arise as a result of differences between the currency of local revenues and claims. The currency exposures are deemed to be acceptable but are kept under review by management.

The following significant exchange rates applied during the year:

	Average rate		**Closing rate**	
	2020	2019	**2020**	2019
Australian dollar	**1.86**	1.84	**1.77**	1.89
Brazilian real	**6.61**	5.03	**7.10**	5.32
Chilean peso	**1,015.49**	898.47	**971.08**	995.54
Danish krone	**8.38**	8.52	**8.33**	8.82
Euro	**1.12**	1.14	**1.12**	1.18
Hong Kong dollar	**9.96**	10.00	**10.60**	10.31
Mexican peso	**27.53**	24.58	**27.19**	25.03
New Zealand dollar	**1.97**	1.94	**1.90**	1.97
Polish zloty	**4.99**	4.90	**5.10**	5.02
Turkish lira	**9.03**	7.25	**10.17**	7.88
US dollar	**1.28**	1.28	**1.37**	1.32

Foreign exchange hedging activities
The Group manages its exposure to foreign exchange risk by entering into hedging transactions using derivative financial instruments. The Group applies fair value, cash flow and net investment hedge accounting.

The hedging relationship between a hedging instrument and a hedged item is formally documented. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

(a) Fair value hedges
Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability or an unrecognised firm commitment, any gain or loss on remeasurement of the hedging instrument at fair value is recognised in the Consolidated Income Statement. The hedged item is fair valued for the hedged risk with any gain or loss on remeasurement being recognised in the Consolidated Income Statement.

(b) Cash flow hedges
Where a derivative financial instrument hedges the change in cash flows related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction, it is accounted for as a cash flow hedge.

The effectiveness of a cash flow hedge is the degree to which the cash flows attributable to a hedged risk are offset by changes in the cash flows of the hedging instrument. The effective portion of any gain or loss on the hedging instrument is recognised directly in other comprehensive income until the forecast transaction occurs e.g. when a hedged interest payment is recognised in the Consolidated Income Statement, the related hedging gain or loss is also recycled to the Consolidated Income Statement, and when a hedged business combination is recognised, the hedging gain or loss is also recycled to goodwill in the Consolidated Statement of Financial Position. The ineffective portion of the gain or loss is always recognised in the Consolidated Income Statement.

If the hedged cash flow is no longer expected to take place, all deferred gains and losses are released to the Consolidated Income Statement immediately. If the hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs.

As at 31 December 2020, the cash flow hedge reserve amounts to £21m (2019: £21m).

(c) Net investment hedging
The Group applies hedge accounting to its foreign currency exposure on a net investment basis. By designating opposing instruments in the same currency, the net exposure to currency fluctuations is reported. The Group uses foreign currency forward and swap contracts, and foreign currency borrowings to hedge its net investment foreign exchange risk.

These hedging relationships are documented and tested as required by IFRS 9. All foreign currency forward contracts and collar options are accounted for on a fair value basis.

The Group hedges significant exposures in order to manage translation risk and reduce the Solvency II foreign currency risk charge.

Effect of foreign exchange hedging transactions
The impact of net investment currency hedging activity is set out below.

	2020 £m	2019 £m
Notional amounts	**1,312**	1,202
Carrying amount - Assets	**14**	28
Carrying amount - Liabilities	**(33)**	(6)
Financial statement line item	**Derivatives**	Derivatives
Change in value used for calculating hedge ineffectiveness	**(62)**	51
Hedging (losses)/gains recognised in other comprehensive income	**(62)**	51
Hedge effectiveness recognised in Consolidated Income Statement	**-**	-
Income statement line item (for ineffectiveness)	**Financial expense**	Financial expense
Amount reclassified from foreign currency translation reserve to the Consolidated Income Statement	**-**	-
Consolidated Income Statement line item (for reclassifications)	**Financial expense**	Financial expense
Change in value used for calculating hedge ineffectiveness	**(62)**	51
Amounts in reserves for continuing hedges	**(20)**	22
Amounts in reserves for discontinued hedges	**(42)**	29

In the consolidated financial statements, where a loan between Group entities results in an exchange gain or loss, then it is recognised in the Consolidated Statement of Comprehensive Income to the extent that it relates to the Group's net investment in overseas operations.

The Group has exposure to both translational and transactional foreign exchange risk arising from its overseas operations. Currency exposures as at 31 December are as follows:

	Net currency exposure £m	**Currency contracts £m**	**Net currency exposure including hedges £m**
2020			
Australian dollar	**2,487**	**(527)**	**1,960**
Euro	**938**	**(481)**	**457**
New Zealand dollar	**600**	**(252)**	**348**
US dollar	**319**	**(398)**	**(79)**
Other	**1,365**	**228**	**1,593**
Total foreign denominated net assets	**5,709**	**(1,430)**	**4,279**
Percentage of Group net assets	**85%**		**63%**

	Net currency exposure £m	Currency contracts £m	Net currency exposure including hedges £m
2019[1]			
Australian dollar	2,319	(426)	1,893
Euro	853	(574)	279
New Zealand dollar	504	(240)	264
US dollar	275	(337)	(62)
Other	1,337	286	1,623
Total foreign denominated net assets	5,288	(1,291)	3,997
Percentage of Group net assets	82%		62%

1. Currency exposure balances for 2019 have been restated.

The impact of a hypothetical strengthening/weakening of sterling against the currencies below, with all other variables constant, would have increased/(decreased) equity and profit by the amounts shown below. These tables consider both translation and transaction risk.

Notes to the Consolidated Financial Statements (continued)
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	Strengthening 10%		Weakening 10%	
	Losses included in Consolidated Income Statement £m	**Gains/(losses) included in Equity £m**	**Gains included in Consolidated Income Statement £m**	**Gains/(losses) included in Equity £m**
2020				
Australian dollar	**(10)**	**(178)**	**12**	**218**
Euro	**(15)**	**(42)**	**19**	**51**
New Zealand dollar	**(2)**	**(32)**	**2**	**39**
US dollar	**(3)**	**7**	**3**	**(9)**
Other	**(7)**	**(144)**	**9**	**176**
Total sensitivity	**(37)**	**(389)**	**45**	**475**

	Strengthening 10%		Weakening 10%	
	Gains/(losses) included in Consolidated Income Statement £m	Gains/(losses) included in Equity[1] £m	Gains/(losses) included in Consolidated Income Statement £m	Gains/(losses) included in Equity[1] £m
2019				
Australian dollar	(2)	(172)	2	210
Euro	10	(25)	(12)	31
New Zealand dollar	1	(24)	(1)	29
US dollar	(1)	6	1	(7)
Other	5	(148)	(6)	181
Total sensitivity	13	(363)	(16)	444

1. Gain/(losses) included in equity columns have been restated following the correction of the 2019 net currency exposure including hedges balances.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects the return on variable rate assets, the cost of variable rate liabilities and the balance sheet value of its investment in fixed rate bonds. Variable rate assets represent a natural hedge for variable rate liabilities.

The net balance on which the Group is exposed as at 31 December 2020 was £2,184m (2019: £2,318m). The rate at which maturing deposits are reinvested represents a significant potential risk to the Group, in currencies such as sterling and Australian dollar where the Group has a significant variable rate net asset exposure.

The Group has also used interest rate swaps to manage interest rate exposure whereby the requirement to settle interest at fixed rates has been swapped for variable rates. This increases the ability to match variable rate assets with variable rate liabilities.

Variable loans are repriced at intervals of between one and six months. Interest is settled on all loans in line with agreements and is settled at least annually.

The impact of a hypothetical rise of 100 bps in interest rates at the reporting date, on an annualised basis, would have decreased equity by £5m (2019: £2m increase) and profit by £4m (2019: £2m increase). The impact of a fall of 100 bps in interest rates, on an annualised basis, would have the inverse effect. This calculation is based on the assumption that all other variables, in particular foreign exchange rates, remain constant.

Interest rate hedging activities
The Group applies fair value hedges and cash flow hedges to hedge its exposure to interest rate risk on its borrowings.

As at 31 December 2020 interest rate swaps totalling £600m have been entered into, to swap the fixed rate coupon on two £300m senior unsecured bonds to a variable rate (the previously hedged £330m callable subordinated perpetual bond matured in September 2020). These interest rate swaps are designated as fair value hedges of the underlying interest rate risk on the debt.

The fair value movement in the two £300m bonds attributable to the hedged risk amounted to a loss of £9m, with a £9m gain in respect of the bond which matured in the year. The net fair value movement in all bonds attributable to the hedged risk for the year ended 31 December 2020 amounted to £nil (2019: £5m gain). The net fair value movement on the interest rate swaps amounted to £nil (2019: £5m loss) and the fair value and carrying value of this derivative is £12m (2019: £12m).

25.3 Credit risk
Credit risk is the risk that those that are in debt to the Group default on their obligation. Examples of credit risk would be non-payment of a trade receivable or a corporate bond failing to repay the capital sum and related interest.

Investment exposure with external counterparties is managed by ensuring that there is a sufficient spread of investments and that all cash and investment counterparties are rated at least A by two of the three key rating agencies used by the Group (unless specifically approved by the Corporate Finance Executive Committee, for example as a result of local regulatory requirements).

The investment profile (including financial investments, restricted assets and cash and cash equivalents) as at 31 December is as follows:

	2020 £m	2019 £m
Investment grade counterparties	**4,021**	3,286
Non-investment grade counterparties	**699**	396
Total	**4,720**	3,682

Investment grade counterparties include restricted assets of £149m (2019: £117m). Non-investment grade counterparties are those rated below BBB-/Baa3, and mainly comprise corporate bonds, government bonds, deposits with credit institutions and pooled investment funds of £617m (2019: £290m), and cash and cash equivalents of £87m (2019: £69m).

Assets pledged as security include £149m (2019: £117m) of cash held in restricted access deposits.

Information regarding the credit risk exposure for financial assets held at fair value through other comprehensive income and amortised cost is provided below.

	Government debt securities £m	**Corporate debt securities and secured loans £m**	**Deposits with credit institutions £m**	**Other loans £m**	**Restricted assets £m**	**Cash and cash equivalents £m**
2020						
AAA	**29**	**197**	**-**	**-**	**-**	**12**
AA- to AA+	**26**	**166**	**365**	**-**	**-**	**546**
A- to A+	**-**	**210**	**707**	**-**	**149**	**915**
BBB- to BBB+	**20**	**15**	**3**	**-**	**-**	**146**
BB+ and below (below investment grade)	**68**	**114**	**240**	**1**	**-**	**87**
Total	**143**	**702**	**1,315**	**1**	**149**	**1,706**
Loss allowance[1]	**(2)**	**(1)**	**(4)**	**-**	**-**	**-**
Carrying amount	**141**	**701**	**1,311**	**1**	**149**	**1,706**

1. In addition, a provision for expected credit losses on financial investments at FVOCI of £4m has been recognised.

	Government debt securities £m	Corporate debt securities and secured loans £m	Deposits with credit institutions £m	Other loans £m	Restricted assets £m	Cash and cash equivalents £m
2019						
AAA	72	178	-	-	-	3
AA- to AA+	-	269	311	-	117	643
A- to A+	20	152	540	-	-	467
BBB- to BBB+	-	15	6	-	-	52
BB+ and below (below investment grade)	90	45	9	1	-	69
Total	182	659	866	1	117	1,234
Loss allowance[1]	(1)	(1)	(1)	-	-	-
Carrying amount	181	658	865	1	117	1,234

1. In addition, a provision for expected credit losses on financial investments at FVOCI of £3m has been recognised.

Information regarding the ageing and impairment of financial and insurance assets is shown below.

	Not past due £m	**0-3 months £m**	**3-6 months £m**	**6 months-1 year £m**	**Greater than 1 year £m**	**Total carrying value £m**
2020						
Insurance debtors gross value	**1,033**	**117**	**22**	**23**	**15**	**1,210**
Bad debt provision	**(1)**	**(7)**	**(2)**	**(9)**	**(8)**	**(27)**
Insurance debtors net value[1]	**1,032**	**110**	**20**	**14**	**7**	**1,183**
Trade and other receivables gross value	**249**	**143**	**31**	**35**	**60**	**518**
ECL	**(2)**	**(3)**	**(1)**	**(5)**	**(17)**	**(28)**
Trade and other receivables net value[2]	**247**	**140**	**30**	**30**	**43**	**490**

1. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.
2. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.

	Not past due £m	0-3 months £m	3-6 months £m	6 months-1 year £m	Greater than 1 year £m	Total carrying value £m
2019						
Insurance debtors gross value	1,075	107	32	19	17	1,250
Bad debt provision	-	(6)	(1)	(5)	(6)	(18)
Insurance debtors net value[1]	1,075	101	31	14	11	1,232
Trade and other receivables gross value	262	121	30	52	62	527
ECL	(2)	(2)	(1)	(3)	(38)	(46)
Trade and other receivables net value[2]	260	119	29	49	24	481

1. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.
2. Comprises trade receivables, other receivables and service concession receivables detailed in note 14.

Information regarding the Expected Credit Loss allowance by class of financial investments held at fair value through comprehensive income and amortised cost is shown below.

	Government debt securities		**Corporate debt securities and secured loans**		**Deposits with credit institutions**		**Other loans**		**Trade and other receivables[1]**		**Other insurance debtors[2]**		**Restricted assets**		**Cash and cash equivalents**	
	Gross	**ECL**	**Gross**	**ECL**	**Gross**	**ECL**	**Gross**	**ECL**	**Gross**	**ECL**	**Gross**	**Bad debt provision**	**Gross**	**ECL**	**Gross**	**ECL**
2020	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At beginning of year	**182**	**(4)**	**659**	**(1)**	**866**	**(1)**	**1**	**-**	**527**	**(46)**	**1,250**	**(18)**	**117**	**-**	**1,234**	**-**
Recognition and settlement	**(31)**	**(2)**	**47**	**-**	**420**	**(3)**	**-**	**-**	**(82)**	**18**	**(41)**	**(9)**	**32**	**-**	**219**	**-**
Write backs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer to assets held for sale	**-**	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**45**	**-**	**-**	**-**	**-**	**-**	**228**	**-**
Foreign exchange and other	**(8)**	**-**	**(4)**	**-**	**23**	**-**	**-**	**-**	**2**	**-**	**1**	**-**	**-**	**-**	**25**	**-**
At end of year	**143**	**(6)**	**702**	**(1)**	**1,315**	**(4)**	**1**	**-**	**518**	**(28)**	**1,210**	**(27)**	**149**	**-**	**1,706**	**-**

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.
2. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.

	Government debt securities		Corporate debt securities and secured loans		Deposits with credit institutions		Other loans		Trade and other receivables[1]		Other insurance debtors[2]		Restricted assets		Cash and cash equivalents	
	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	ECL	Gross	Bad debt provision	Gross	ECL	Gross	ECL
2019	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At beginning of year	184	(1)	779	-	806	(1)	1	-	515	(41)	1,203	(17)	107	-	1,554	(1)
Recognition and settlement	16	(3)	(100)	(1)	88	-	-	-	115	(9)	80	(2)	10	-	(31)	1
Write offs	-	-	-	-	-	-	-	-	(32)	-	-	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	(6)	-	-	-	(42)	-	-	-	-	-	(218)	-
Foreign exchange and other	(18)	-	(20)	-	(22)	-	-	-	(29)	4	(33)	1	-	-	(71)	-
At end of year	182	(4)	659	(1)	866	(1)	1	-	527	(46)	1,250	(18)	117	-	1,234	-

1. Comprises trade receivables, other receivables, service concession receivables and accrued income detailed in note 14.
2. Comprises insurance debtors, Medicare rebate and Risk Equalisation Special Account recoveries detailed in note 12.

Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

2020	**Gross amounts of recognised financial assets £m**	**Gross amounts of recognised financial liabilities set off in the balance sheet £m**	**Net amounts of financial assets/ liabilities presented in the balance sheet £m**	**Related amounts not set off in the balance sheet: Financial instruments £m**	**Related amounts not set off in the balance sheet: Cash collateral received £m**	**Net amount £m**
Derivative financial assets	**61**	**-**	**61**	**(37)**	**(2)**	**22**
Derivative financial liabilities	**(77)**	**-**	**(77)**	**37**	**18**	**(22)**
Cash and cash equivalents	**2,009**	**(303)**	**1,706**	**-**	**-**	**1,706**
Total	**1,993**	**(303)**	**1,690**	**-**	**16**	**1,706**

2019	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the balance sheet £m	Net amounts of financial assets/ liabilities presented in the balance sheet £m	Related amounts not set off in the balance sheet: Financial instruments £m	Related amounts not set off in the balance sheet: Cash collateral received £m	Net amount £m
Derivative financial assets	59	-	59	(15)	(1)	43
Derivative financial liabilities	(34)	-	(34)	15	10	(9)
Cash and cash equivalents	1,474	(240)	1,234	-	-	1,234
Total	1,499	(240)	1,259	-	9	1,268

The Group also mitigates credit risk in derivative contracts by entering into collateral agreements where appropriate. The amount of collateral received or posted is shown in the table above.

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities where both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

25.4 Liquidity risk

Liquidity risk is the risk that the Group will not have available funds to meet its liabilities when they fall due.

The Group's main source of short-term funding is via an £800m revolving credit facility which was undrawn as at 31 December 2020 (2019: £230m). This facility matures in 2022.

The Group monitors funding risk as well as compliance with existing financial covenants within the banking arrangements. There were no concerns regarding bank covenant coverage in 2020 and that position is not expected to change in the foreseeable future.

The Group holds a strong liquidity position and adheres to strict liquidity management policies as set by the Bupa Risk Committee as well as adhering to liquidity parameters for the Group's regulated entities. Regular stress testing is conducted to assess liquidity risk.

The contractual maturities of financial liabilities and the expected maturities of insurance liabilities including estimated interest payments of the Group as at 31 December are as follows:

	Subordinated liabilities £m	**Other interest-bearing liabilities £m**	**Lease liabilities £m**	**Provisions arising from insurance contracts £m**	**Other liabilities arising from insurance business £m**	**Trade and other payables[1] £m**	**Derivative liabilities £m**	**Total £m**
2020								
2021	**(59)**	**(455)**	**(172)**	**(3,160)**	**(162)**	**(1,868)**	**(59)**	**(5,935)**
2022	**(60)**	**(23)**	**(161)**	**(52)**	**-**	**(7)**	**-**	**(303)**
2023	**(547)**	**(23)**	**(144)**	**-**	**-**	**(2)**	**(18)**	**(734)**
2024	**(35)**	**(319)**	**(124)**	**-**	**-**	**(1)**	**-**	**(479)**
2025	**(34)**	**(17)**	**(107)**	**-**	**-**	**-**	**-**	**(158)**
2026-2030	**(492)**	**(369)**	**(391)**	**-**	**-**	**(1)**	**-**	**(1,253)**
After 2030	**(415)**	**(36)**	**(264)**	**-**	**-**	**-**	**-**	**(715)**
Total	**(1,642)**	**(1,242)**	**(1,363)**	**(3,212)**	**(162)**	**(1,879)**	**(77)**	**(9,577)**
Carrying value in the Consolidated Statement of Financial Position	**(1,247)**	**(1,191)**	**(1,010)**	**(3,212)**	**(162)**	**(1,879)**	**(77)**	**(8,778)**

1. Comprises trade payables, other payables, occupational rights agreement liabilities, refundable accommodation deposits and accruals detailed in note 21.

	Subordinated liabilities £m	Other interest-bearing liabilities £m	Lease liabilities £m	Provisions arising from insurance contracts £m	Other liabilities arising from insurance business £m	Trade and other payables[1] £m	Derivative liabilities £m	Total £m
2019								
2020	(395)	(339)	(142)	(2,779)	(146)	(1,603)	(34)	(5,438)
2021	(45)	(364)	(140)	(57)	-	(4)	-	(610)
2022	(45)	(11)	(134)	-	-	(3)	-	(193)
2023	(533)	(16)	(126)	-	-	(1)	-	(676)
2024	(20)	(314)	(112)	-	-	(1)	-	(447)
2025-2029	(440)	(57)	(420)	-	-	(2)	-	(919)
After 2029	-	(48)	(334)	-	-	-	-	(382)
Total	(1,478)	(1,149)	(1,408)	(2,836)	(146)	(1,614)	(34)	(8,665)
Carrying value in the Consolidated Statement of Financial Position	(1,245)	(1,105)	(1,062)	(2,836)	(146)	(1,614)	(34)	(8,042)

1. Comprises trade payables, other payables, occupational rights agreement liabilities, refundable accommodation deposits and accruals detailed in note 21.

Interest payments are included in the cash flows for subordinated liabilities and other interest-bearing liabilities.

Maturity profile of financial assets

The majority of assets arising from insurance business and trade and other receivables fall due within one year as detailed in notes 12 and 14 respectively. The maturity profile of other financial assets (excluding ECLs) as at 31 December, which are also available to fund the repayment of liabilities as they crystallise, is as follows:

	Cash and cash equivalents £m	**Deposits with credit institutions £m**	**Government debt securities £m**	**Corporate debt securities and other loans £m**	**Pooled investment funds £m**	**Total £m**
2020						
2021	**1,706**	**1,057**	**109**	**372**	**301**	**3,545**
2022	**-**	**255**	**15**	**206**	**-**	**476**
2023	**-**	**4**	**15**	**167**	**-**	**186**
2024	**-**	**-**	**8**	**98**	**-**	**106**
2025	**-**	**-**	**1**	**80**	**-**	**81**
2026-2030	**-**	**-**	**31**	**127**	**-**	**158**
After 2030	**-**	**-**	**11**	**15**	**-**	**26**
Total	**1,706**	**1,316**	**190**	**1,065**	**301**	**4,578**

	Cash and cash equivalents £m	Deposits with credit institutions £m	Government debt securities £m	Corporate debt securities and other loans £m	Pooled investment funds £m	Total £m
2019						
2020	1,234	781	180	386	220	2,801
2021	-	86	21	182	-	289
2022	-	-	3	158	-	161
2023	-	-	2	117	-	119
2024	-	-	6	52	-	58
2025-2029	-	-	10	92	-	102
After 2029	-	-	12	26	-	38
Total	1,234	867	234	1,013	220	3,568

26 Related party transactions

These are transactions between the Group and related individuals or entities by nature of influence or control. The Group has such relationships with its key management personnel, equity accounted investments and associated pension arrangements. The disclosure of transactions with these parties in this note enables readers to form a view of the impact of related party relationships on the Group.

All transactions with related parties are conducted on an arm's-length basis.

There were no material transactions during the year with any related parties, as defined by IAS 24 Related Party Disclosures, other than those disclosed in this note.

Transactions with key management personnel
The key management personnel are the Group's Directors and the Chief Executive Officers of the Group's Market Units. No Director had any material interest in any contracts with Group companies as at 31 December 2020 (2019: £nil) or at any time during the year. The remuneration of the Group's Directors is disclosed in note 2.3.

The total remuneration of the Market Unit Chief Executive Officers is as follows:

	2020 £'000	2019 £'000
Short-term employee benefits	**3,489**	5,028
Long Term Incentive Plan awards	**3,551**	2,658
Post-employment benefits	**118**	91
Total	**7,158**	7,777

The total remuneration of key management personnel is included in staff costs (see note 2.3).

27 Commitments, contingencies and guarantees

A commitment is future expenditure that is committed to as at 31 December 2020. These relate to contracted capital expenditure. Contingent liabilities are those that are considered possible at year end, whose existence will be determined by an uncertain future event or, a present obligation that is not sufficiently probable or cannot currently be measured with sufficient reliability to give rise to a provision.

i) Capital commitments
Capital expenditure for the Group contracted as at 31 December 2020 but for which no provision has been made in the financial statements, amounted to £112m (2019: £268m). Of this, £111m (2019: £268m) relates to aged care facility and retirement village project commitments in Australia and New Zealand and care homes in the UK; specifically £37m (2019: £96m) in relation to property, plant and equipment and £74m (2019: £172m) in relation to investment property. A further £1m commitment relates to other refurbishment projects across the Group

ii) Contingent assets and liabilities
The Group currently has no contingent assets.

The Group has contingent liabilities arising in the ordinary course of business and in relation to a limited number of historic business disposals. These include losses which might arise from litigation, other disputes, regulatory compliance (including data protection) and interpretation of law (including superannuation law and tax law). It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Group.

iii) Defined benefit post-employment schemes
The Company has entered into a legally binding and irrevocable guarantee for the benefit of the trustee of the principal defined benefit scheme in the UK, The Bupa Pension Scheme, in respect of the payments due from the Parent.

28 Entities in which the Group holds less than 100% equity interest

(i) Consolidation of entities in which the Group holds less than 50% equity interest
Eurocredit Investment Fund 1 plc
Eurocredit Investment Fund is a structured entity set up for the purpose of investing in primary and secondary secured loans. Bupa is the only investor in the issued debt of the entity and is exposed to the risks and rewards of the fund.

(ii) Non-controlling interests ('NCI')
The Group has no subsidiaries whose non-controlling interest is material on the basis of their share of equity or profit or loss.

Company Primary Statements and Associated Notes
for the year ended 31 December 2020

Balance Sheet
as at 31 December 2020

	Note	2020 £m	2019 £m
Intangible assets		**-**	1
Property, plant and equipment	B	**35**	38
Investment in subsidiaries	C	**6,192**	6,055
Restricted assets	D	**48**	44
Derivative assets	E	**22**	38
Deferred taxation asset	F	**4**	3
Trade and other debtors	G	**47**	385
Cash and cash equivalents	H	**108**	15
Total assets		**6,456**	6,579
Borrowings	I	**(2,246)**	(2,167)
Lease liabilities	J	**(33)**	(35)
Derivative liabilities	E	**(34)**	(7)
Trade and other creditors	K	**(3,446)**	(3,435)
Total liabilities		**(5,759)**	(5,644)
Net assets		**697**	935
Equity			
Called up share capital	L	**200**	200
Profit and loss account		**497**	735
Total equity		**697**	935

Approved by the Board of Directors and signed on its behalf on 3 March 2021 by

Martin Potkins

Director

Registered number 2779134

Notes A-O form the associated notes to the Company financial statements.

Company Primary Statements and Associated Notes
for the year ended 31 December 2020

Statement of Changes in Equity
for the year ended 31 December 2020

	Called up share capital	Profit and loss account	Total equity
	£m	£m	£m
Balance as at 1 January 2020	**200**	**735**	**935**
Comprehensive loss for the year			
Loss for the financial year	**-**	**(63)**	**(63)**
Total comprehensive loss for the year	**-**	**(63)**	**(63)**
Transactions with owners, recorded directly in equity			
Dividends	**-**	**(175)**	**(175)**
Total distributions to owners	**-**	**(175)**	**(175)**
Balance as at 31 December 2020	**200**	**497**	**697**

Balance as at 1 January 2019	200	1,171	1,371
Comprehensive loss for the year			
Loss for the financial year	-	(282)	(282)
Total comprehensive loss for the year	-	(282)	(282)
Transactions with owners, recorded directly in equity			
Dividends	-	(154)	(154)
Total distributions to owners	-	(154)	(154)
Balance as at 31 December 2019	200	735	935

Notes A-O form the associated notes to the Company financial statements.

Company Accounting Policies

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

Basis of preparation
Bupa Finance plc (the 'Company'), is a company incorporated in England and Wales. The immediate and ultimate parent of the Company is The British United Provident Association Limited (the 'Parent' or 'Bupa').

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting standards ('IFRS') adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, but makes amendments where necessary in order to comply with the Companies Act 2006. The Company has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual profit and loss account. As the consolidated financial statements of the Group include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of compensation of key management personnel;
- Certain disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not held as either part of a trading portfolio or derivatives;
- IAS 24 - Exemption for related party transactions entered into between two or more members of a group, provided that any subsidiary party to the transaction is wholly owned by such a member.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Changes in accounting policies
There were no changes to accounting policies during the year.

The adoption of IFRS 16 Leases on 1 January 2019 resulted in the recognition of £31m right-of-use assets and corresponding £38m of lease liabilities.

(b) Going concern
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months from the approval of these financial statements. They continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Foreign currency
The financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting).

(d) Financial income and expense
Financial income comprises interest receivable, realised gains and losses on investments, foreign exchange gains and losses, dividend income on equity investments and changes in the fair value of items recognised at fair value through profit or loss.

Interest income, except in relation to assets classified as at fair value through profit or loss, is recognised in the profit and loss account as it accrues, using the effective interest method.

Changes in the value of financial investments at fair value through the profit and loss account are recognised within financial income as an unrealised gain or loss while the asset is held. Upon realisation of these assets, the change in fair value since the last valuation is recognised within financial income as a realised gain or loss.

Financial expense includes interest payable on borrowings, calculated using the amortised cost method, and other financial expense.

(e) Classification of financial instruments issued by the Company
Financial instruments issued by the Company are treated as equity 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 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 legal 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.

Where a financial instrument that contains both equity and financial liability components these components are separated and accounted for individually under the above policy.

(f) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

(g) Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and recognised impairment losses. Depreciation is charged to the profit and loss on a straight-line basis over its expected useful life, as follows:

Right-of-use property	Lease term
Equipment	3 to 10 years

Useful lives, depreciation method and residual values are reviewed at each balance sheet date.

No depreciation is charged on assets in the course of construction. Assets classified as work in progress are reviewed for impairment at each balance sheet date or when an indication of impairment arises.

Impairment reviews are undertaken where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

(h) Leases of property
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Company changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option. The leases currently held by the Company do not contain any extension or terminations options.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset, excluding restorations costs, is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Restoration costs included in the right-of-use asset are amortised over the same term as the corresponding provision, which may be longer than the IFRS 16 contractual lease term.

The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (£4,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

(i) Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less impairment.

Dividends received from subsidiaries are recognised in profit or loss when the right to receive is established.

All loans and receivables to and from subsidiary undertakings are shown at cost less amounts written off where deemed irrecoverable.

(j) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Derivative fair value

Fair values of derivative instruments are obtained from market observable pricing information including interest yield curves. The value of foreign exchange forward contracts and swaps is established using listed market prices.

Hedge accounting

The Company applies fair value hedge accounting. The Company formally documents the hedging relationship between a hedging instrument and a hedged item. Documentation includes the risk management objectives and the strategy in undertaking the hedge transaction.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in profit or loss.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in profit or loss (even if those gains would normally be recognised directly in reserves).

(k) Trade and other debtors

Trade and other debtors are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method, less any expected credit impairment losses.

Provision for expected credit losses for debtors are measured at lifetime ECL. Where appropriate, a provision matrix is used to estimate ECL. Under a provision matrix, receivables are grouped into customer segments and further divided into categories by age. Historical credit loss experience and any relevant forward looking information is then used to establish the ECL provision for each category.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(m) Trade and other creditors

Trade and other creditors are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest method.

(n) Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

(o) Callable subordinated perpetual guaranteed bonds

The callable subordinated perpetual guaranteed bonds were repaid during the year. The terms of the bonds were such that the Company could not defer payments of interest in certain limited circumstances. The bonds were therefore classified as financial liabilities. The liability was stated at amortised cost using the effective interest method. The carrying value was adjusted for the gain or loss on hedged risk; changes in the fair value of the derivatives that mitigate interest rate risk resulting from the fixed interest rate of the bonds were recognised in the profit and loss account as an effective fair value hedge of the exposure. The coupon payable on the bonds was recognised as a financial expense.

(p) Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

(q) Taxation including deferred taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised directly in equity to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current taxation is the expected taxation payable or receivable on the taxable income or loss for the year, using taxation rates enacted or substantively enacted at the balance sheet date, and any adjustment to taxation payable in respect of previous years.

Deferred taxation is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the balance sheet date.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

(r) Provisions

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Loss attributable to the Company

The loss within the accounts of the Company is £63m (2019: loss of £282m). In accordance with the exemption granted under Section 408 of the Companies Act 2006, a separate profit and loss account for the Company has not been presented.

Notes to the Financial Statements

A. Directors and employees

The Company employed no employees during 2020 (2019: nil) and had four Directors (2019: four).

Directors' remuneration
Remuneration paid to the Directors is borne by the Company or other Group companies and is disclosed in note 2.3.1.

B. Property, plant and equipment

	2020				2019			
	Right-of-use asset property	**Leasehold improvements**	**Equipment**	**Total**	Right-of-use asset property	Leasehold improvements	Equipment	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Cost or valuation								
At beginning of year	**32**	**9**	**2**	**43**	-	8	3	11
Adoption of IFRS 16 Leases	**-**	**-**	**-**	**-**	31	-	-	31
Additions	**-**	**-**	**-**	**-**	1	1	-	2
Other	**-**	**-**	**-**	**-**	-	-	(1)	(1)
At end of year	**32**	**9**	**2**	**43**	32	9	2	43
Depreciation and impairment loss								
At beginning of year	**2**	**2**	**1**	**5**	-	1	-	1
Depreciation charge for year	**3**	**-**	**-**	**3**	2	1	1	4
At end of year	**5**	**2**	**1**	**8**	2	2	1	5
Net book value at end of year	**27**	**7**	**1**	**35**	30	7	1	38
Net book value at beginning of year	**30**	**7**	**1**	**38**	-	7	3	10

C. Investment in subsidiaries

2020	**At beginning of year**	**Provision**	**Additions**	**Disposals**	**Foreign exchange revaluation**	**At end of year**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Group undertakings:						
Shares in subsidiary undertakings	**5,512**	**-**	**323**	**-**	**108**	**5,943**
Loans to Group companies	**1,057**	**-**	**74**	**(336)**	**-**	**795**
	6,569	**-**	**397**	**(336)**	**108**	**6,738**
Provision for impairment	**(514)**	**(32)**	**-**	**-**	**-**	**(546)**
Net book value	**6,055**	**(32)**	**397**	**(336)**	**108**	**6,192**

2019	At beginning of year	Provision	Additions	Disposals	Foreign exchange revaluation	At end of year
	£m	£m	£m	£m	£m	£m
Group undertakings:						
Shares in subsidiary undertakings	5,342	-	377	(2)	(205)	5,512
Loans to Group companies	1,017	-	40	-	-	1,057
	6,359	-	417	(2)	(205)	6,569
Provision for impairment	(298)	(216)	-	-	-	(514)
Net book value	6,061	(216)	417	(2)	(205)	6,055

Additions in the year relate primarily to capital injections to existing subsidiaries. Loans to Group companies comprise loan facilities of a fixed amount and a long-term maturity date, with the movements in the year driven by new loan issues to subsidiaries and capitalised interest which is offset by a £336m loan settlement in the year.

During the year a provision for impairment of £32m was recognised in relation to shareholdings in Cromwell Health Group Limited, Bupa Care Homes Investments (Holdings) Limited and Bupa Care Homes (Holdings) Limited. The 2019 provision related to the Company's shareholding in The Oasis Healthcare Group Limited and Bupa Care Homes Investments (Holdings) Limited.

The subsidiary undertakings of the Company as at 31 December 2020 are listed in note O.

D. Restricted assets

	2020 **£m**	2019 £m
Restricted assets	**48**	44

The restricted assets balance of £48m (2019: £44m) consists of cash deposits held to secure a charge over a non-registered pension arrangement held in the Parent company.

E. Derivative assets and liabilities

The fair value of non-current derivative assets relate to interest rate swaps which are recognised at fair value. The interest rate swaps are held to hedge the 2024 £300m and 2027 £300m unsecured bonds held by the Company.

All financial instruments are held at fair value through profit or loss, and therefore the carrying value is equal to the fair value.

	2020 **£m**	2019 £m
Derivative assets		
Non-current	**8**	5
Current	**14**	33
Total derivative assets	**22**	38
Derivative liabilities		
Non-current	**-**	-
Current	**(34)**	(7)
Total derivative liabilities	**(34)**	(7)

Valuation techniques and assumptions applied for the purposes of measuring fair value
A derivative is a financial instrument whose value is based on one or more underlying variables. The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk. Derivatives are not held for speculative reasons.

Derivatives that have been purchased or issued as part of a hedge that subsequently do not qualify for hedge accounting are accounted for at fair value through profit or loss.

Derivative financial instruments are initially recognised and subsequently measured at fair value.

Fair values are obtained from market observable pricing information including interest rate yield curves.

F. Deferred taxation asset

	2020 £m	2019 £m
Taxation value of losses carried forward	**4**	3

G. Trade and other debtors

	2020 £m	2019 £m
Amounts owed by subsidiary companies	**25**	361
Trade and other debtors	**22**	24
Total current trade and other debtors	**47**	385

H. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**1**	1
Short-term deposits	**107**	14
Cash and cash equivalents	**108**	15

I. Borrowings

	Note	2020 £m	2019 £m
Subordinated liabilities			
Callable subordinated perpetual guaranteed bonds		-	336
Fair value adjustment in respect of hedged interest rate risk		-	9
Callable subordinated perpetual guaranteed bonds at carrying value	(a)	-	345
Subordinated unguaranteed bonds	(b)	**1,247**	900
Total subordinated liabilities		**1,247**	1,245
Other interest-bearing liabilities			
Senior unsecured bonds	(c)	**960**	652
Bank loans	(d)	**39**	270
Total other interest-bearing liabilities		**999**	922
Total borrowings		**2,246**	2,167
Current		**390**	622
Non-current		**1,856**	1,545

a) Callable subordinated perpetual guaranteed bonds
The callable subordinated perpetual guaranteed bonds were fully repaid on 16 September 2020.

The total hedged fair value of the callable subordinated perpetual guaranteed bonds, including accrued interest, was £345m as at 31 December 2019, with the valuation adjustment being the change in value arising from interest rate risk, which was matched by the fair value of swap contracts in place to hedge that risk.

b) Subordinated unguaranteed bonds
The total carrying value of subordinated unguaranteed bonds, net of accrued interest, capitalised issue costs and discounts was £1,247m (2019: £1,245m).

On 25 June 2020, the Company issued £350m of unguaranteed subordinated bonds which mature on 14 June 2035. Interest is payable on the bonds at 4.125%. In the event of the winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company.

On 8 December 2016, the Company issued £400m of unguaranteed subordinated bonds which mature on 8 December 2026. Interest is payable on the bonds at 5.0% per annum. In the event of winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company.

On 25 April 2013, the Company issued £500m of unguaranteed subordinated bonds which mature on 25 April 2023. Interest is payable on the bonds at 5.0% per annum. In the event of the winding up of the Company the claims of the bondholders are subordinated to the claims of other creditors of the Company

The Company has not had any defaults of principal, interest or other breaches with respect to subordinated liabilities during 2020 or 2019.

c) Senior unsecured bonds
The total senior unsecured bonds balance of £960m (2019: £652m) is net of initial issue costs, discount on issue and accrued interest.

On 25 June 2020, the Company issued £300m of senior unsecured bonds which mature on 14 June 2027. Interest is payable on the bonds at 1.750%. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £300m (2019: £nil). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 5 April 2017, the Company issued £300m of senior unsecured bonds, guaranteed by the Parent, which mature on 5 April 2024. Interest is payable on the bonds at 2.0% per annum. The total hedged fair value of these £300m senior unsecured bonds, including accrued interest, capitalised issue costs and discounts, is £310m (2019: £302m). The valuation adjustment is the change in value arising from interest rate risk which is matched by the fair value of swap contracts in place to hedge this risk.

On 17 June 2014, the Company issued £350m of senior unsecured bonds, guaranteed by the Parent, which mature on 17 June 2021. Interest is payable on the bonds at 3.375% per annum.

d) Bank loans
Bank loans of £39m (2019: £270m) include drawings of £nil (2019: £230m) under a £800m revolving credit facility, maturing 5 August 2022 and a £40m bilateral loan facility which was fully drawn down at the end of the year.

The drawings under the £800m facility are guaranteed by the Parent. The overdraft facilities are subject to cross guarantees.

The bank loans and overdrafts bear interest at commercial rates linked to LIBOR, or EURIBOR or commercial fixed rate.

J. Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company’s incremental borrowing rate taking into account the duration of the lease.

	2020 **£m**	2019 £m
At beginning of the year	35	-
Adoption of IFRS 16 Leases	-	38
Interest on lease liability	1	1
Repayments	(3)	(4)
At end of year	**33**	35
Current	**3**	3
Non-current	**30**	32

K. Trade and other creditors

	2020 **£m**	2019 £m
Amounts owed to subsidiary undertakings	**3,436**	3,432
Other creditors	**10**	3
Total current trade and other creditors	**3,446**	3,435

L. Called up share capital

	2020 **£m**	2019 £m
Allocated, called up and fully paid		
200,050,000 ordinary shares of £1 each	**200**	200

M. Commitments, contingencies and guarantees

Pension contributions
The Company has given a legally binding and irrevocable guarantee for the benefit of the trustees of The Bupa Pension Scheme, in respect of payments that the Parent is obliged to make between 31 December 2020 and 31 December 2021 to The Bupa Pension Scheme.

Contingent liabilities
Under a Group registration the Company is jointly and severally liable for Value Added Tax due by certain other companies in the Group.

Guarantees

As at 31 December 2020, the Company was party to a £800m multi-currency revolving credit facility. The Company has joint and several liability for all obligations under the agreement. The revolving credit facility was undrawn as at 31 December 2020 (2019: £230m).

The Company has provided guarantees to certain other Group undertakings. These are either as part of the Group banking arrangements in respect of the overdrafts, or, if called on to do so, to provide or procure necessary support to enable certain other Group undertakings to meet their liabilities as they fall due.

N. Ultimate Parent

The Company's Ultimate Parent undertaking is The British United Provident Association Limited which includes the Company in its consolidated financial statements. The consolidated financial statements of The British United Provident Association Limited are prepared in accordance with International Financial Reporting Standards and are available to the public. Copies of the accounts of both companies can be obtained from The Registrar of Companies, Cardiff, CF14 3UZ.

O. Related Undertakings

In compliance with Section 409 of the Companies Act 2006, disclosed below is a list of related undertakings of the Company as at 31 December 2020, comprising subsidiaries, joint ventures, associated undertakings and other significant holdings, together with the country of incorporation, registered office address, each share class held by the Company and the Group and the proportion of the nominal value of the shares of that class represented by those shares.

Wholly Owned Related Undertakings

Unless otherwise stated, the related undertakings listed below are wholly owned by the Company with 100% of the nominal value of each share class held by Group subsidiaries.

Name of Undertaking	Share Class
Australia	
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia	
Australia Fair Dental Care Pty Ltd	AUD Ordinary
Bupa Aged Care Australasia Pty Limited	AUD Ordinary, AUD Preference
Bupa Aged Care Australia Holdings Pty Ltd	AUD Ordinary
Bupa Aged Care Australia Pty Ltd	AUD Ordinary
Bupa Aged Care Holdings Pty Ltd	AUD Ordinary
Bupa Aged Care Property No.2 Trust	Trust Interest
Bupa Aged Care Property No.3 Trust	Trust Interest
Bupa Aged Care Property No.3A Trust	Trust Interest
Bupa Aged Care Property Trust	Trust Interest
Bupa ANZ Finance Pty Ltd	AUD Ordinary
Bupa ANZ Group Pty Ltd	AUD Ordinary
Bupa ANZ Healthcare Holdings Pty Ltd	AUD Ordinary
Bupa ANZ Insurance Pty Ltd	AUD A Preference, AUD Ordinary
Bupa ANZ Property 1 and 2 Limited	AUD Ordinary
Bupa ANZ Property 3 and 3A Pty Ltd	AUD Ordinary
Bupa Care Villages Australia Pty Ltd	AUD Ordinary
Bupa Dental Corporation Limited	AUD Ordinary
Bupa Disability Services Pty Ltd	AUD Ordinary
Bupa Foundation (Australia) Limited	Guarantee Membership Interest
Bupa Health Services Pty Ltd	AUD Ordinary
Bupa HI Holdings Pty Ltd	AUD Ordinary
Bupa HI Pty Ltd	AUD Ordinary
Bupa Innovations (ANZ) Pty Ltd	AUD Ordinary
Bupa Medical (GP) Pty Ltd	AUD Ordinary
Bupa Medical Services Pty Limited	AUD Ordinary
Bupa Optical Pty Ltd	AUD Ordinary
Bupa Telehealth Pty Ltd	AUD Ordinary
Bupa Wellness Pty Limited	AUD Ordinary
DC Holdings WA Pty Ltd	AUD Ordinary
Dental Care Network Pty Ltd	AUD Ordinary
Dental Corporation Australia Fair Pty Ltd	AUD Ordinary
Dental Corporation Cox Pty Ltd	AUD Ordinary
Dental Corporation Gerber Pty Ltd	AUD Ordinary
Dental Corporation Holdings Limited	AUD Ordinary
Dental Corporation Levas Pty.Ltd.	AUD Ordinary
Dental Corporation Petrie Pty.Ltd.	AUD Ordinary
Dental Corporation Pty Ltd	AUD Ordinary
Dr Chris Hardwicke Pty.Ltd.	AUD Ordinary
Gerber Dental Group Pty Ltd	AUD Ordinary
Larry Benge Pty Limited	AUD Ordinary
Scott Petrie (Dental) Pty Ltd	AUD Class E, AUD Class F, AUD Ordinary
Bermuda	
Crawford House, 4th Floor, 50 Cedar Avenue, Hamilton, HM11, Bermuda	

Name of Undertaking	Share Class
Amedex Insurance Company (Bermuda) Limited	BMD1.00 Ordinary
Bolivia	
Guapomo Street 2005, Spazio Building, 1st Floor, Offices 201-202-2013, Santa Cruz de la Sierra, Bolivia	
Bupa Insurance (Bolivia) S.A	BOB100.00 Ordinary
Brazil	
Alameda Mamoré, no. 678, 11th floor, room 1104, Alphaville, Zip Code 06454-040, in the City of Barueri, São Paulo, Brazil	
Care Plus Negócios Em Saúde Ltda.	BRL1.00 Quotas
Alameda Mamoré, no. 687, 12th floor, rooms 1201, 1202, 1203 and 1204, Alphaville, Zip Code 06454-040, in the city of Barueri, São Paulo, Brazil	
Care Plus Medicina Assistencial Ltda	BRL1.00 Quotas
Av. das Nações Unidas, 12,901, Unidade 901, Torre Oeste, Bloco C, Centro Empresarial Nações Unidas, Brooklin Paulista, São Paulo, SP, Brazil	
Personal System Serviços Médicos e Odontológicos Ltda	BRL1.00 Quotas
Chile	
Avenida Departamental 1455, comuna La Florida, Chile	
Servicios De Personal Clinico CBS Dos S.A.	CLP Ordinary
Cerro Colorado N° 5240, Piso 11, Comuna Las Condes, Region Metropolitana, Chile	
Bupa Administracion y Servicios SpA	CLP Ordinary
Bupa Chile S.A.	CLP Ordinary
Bupa Compania de Seguros de Vida S.A.	CLP Ordinary
Bupa Inversiones Latam S.A.	CLP Ordinary
Clinica Bupa Santiago S.A.	CLP Ordinary
Grupo Bupa Sanitas Chile Uno, SpA	CLP1,000.00 Ordinary
Inversiones Clinicas CBS S.A.	CLP Ordinary
Denmark	
Palaegade 8, 1261 Copenhagen K, Denmark	
Bupa Denmark Services A/S[1]	DKK100.00 Ordinary
Dominican Republic	
Av. Winston Churchill, corner with Rafael Augusto Sanchez, Plaza Acropolis, Apt. P2-D, Santo Domingo, Dominican Republic	
Bupa Dominicana, S.A.	DOP1,000.00 Ordinary
Ecuador	
Av. Republica de El Salvador N34-229, 4th Floor, Quito, Ecuador	
Bupa Ecuador S.A. Compania de Seguros[2]	USD1.00 Capital Stock
Egypt	
Building 55, Street 18, Maadi, Cairo, Egypt	
Bupa Egypt Insurance S.A.E.[3]	EGP10.00 Ordinary
Bupa Egypt Services LLC	EGP100.00 Ordinary
Guatemala	
Quinta avenida número cinco guión cincuenta y cinco, Zona catorce de esta ciudad, Edificio Europlaza World Business Center, Torre III, undécimo nivel, área corporativa número un mil, Guatemala	
Bupa Guatemala, Compania de Seguros, S.A.[4]	GTQ1.00 Ordinary
Guernsey	
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	
Bupa Holdings (Guernsey) Limited	£1.00 Ordinary
Bupa LeaseCo Holdings Limited	£1.00 Ordinary
Bupa LeaseCo. (Guernsey) Limited	£1.00 Ordinary
UK Care No. 1 Limited	£1.00 Ordinary
Mexico	
Montes Urales, No. 745, Piso 1, Colonia Lomas de Chapultepec I Seccion, C.P. 11000, Mexico City	
Bupa Mexico, Compania de Seguros, S.A. de C.V.	MXN1,000.00 Capital Stock Series E (fixed), MXN1,000.00 Capital Stock Series M (variable)
Montes Urales, No. 745, Piso 2, Colonia Lomas de Chapultepec I Seccion, Miguel Hidalgo Distrito Federal 11000, Mexico City	
Bupa Servicios de Evaluacion Medica, S. de R.L. de C.V.[5]	Partnership Interest
New Zealand	
Bupa House, Level 2, 109 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand	

[1] Held directly by the Company.
[2] 0.000025% held by nominee.
[3] 0.016667% held directly by the Company.
[4] 0.99954% held directly by the Company.
[5] 0.033333% held directly by the Company.

Name of Undertaking	Share Class
Bupa Care Services NZ Limited	NZD Ordinary
Bupa Retirement Villages Limited	NZD Ordinary
Level 4, 1 Walton Leigh Avenue, Porirua, 5022, New Zealand	
Dental Corporation (NZ) Limited	NZD Ordinary
Panama	
Prime Time Tower, Floor 25, Office 25 b La Rotonda Ave, Costa del Este, Panama	
Bupa Panama S.A.	US$1,000.00 Ordinary
Peru	
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru	
Integramedica Peru S.A.C.	PEN Ordinary
Poland	
28 Czerwca 1956 R, 135/147 Street, 61-545, Poznan, Poland	
Diagnostic - Med. Centrum Diagnostyki Radiologicznej Sp. z.o.o.	PLN500.00 Ordinary
Brzeska 12 Street, 03-737, Warsaw, Poland	
Centrum Edukacji Medycznej Sp. z.o.o.	PLN100.00 Ordinary
Czapliniecka 93/95, 97-400, Belchatow, Poland	
Megamed Sp. z.o.o.	PLN1,000.00 Ordinary
Goszczyńskiego 1 Street, 02-616, Warsaw, Poland	
Platinum Hospitals S.A.	PLN4.00 Ordinary-A, PLN4.00 Ordinary-B, PLN4.00 Ordinary-C, PLN4.00 Ordinary-D, PLN4.00 Ordinary-E
Szpital sw. Elzbiety - Mokotowskie Centrum Medyczne Sp. z.o.o.	PLN50.00 Ordinary
Kuznicka 1 Street, 72-010, Police, Poland	
Medika Uslugi Medyczne Sp. z.o.o.	PLN50.00 Ordinary
Partyzantow 76, 80-254, Gdansk, Poland	
Projekt Usmiech Bis Sp. z.o.o.	PLN500.00 Ordinary
Podleśna 61, 01-673, Warszawa, Poland	
Centrum Medyczne Mavit Sp. z.o.o.	PLN100.00 Ordinary
Poniatowskiego 2, 33-300, Nowy Sacz, Poland	
Niepubliczny Zaklad Opieki Zdrowotnej Remedium Sp. z.o.o.	PLN50.00 Ordinary
Pory 78 Street, 02-757 Warsaw, Poland	
Pory 78 Sp. z.o.o.	PLN100.00 Ordinary
Sport Medica S.A.	PLN1.00 Ordinary-A, PLN1.00 Ordinary-B, PLN1.00 Ordinary-C, PLN1.00 Ordinary-D, PLN1.00 Ordinary-E, PLN1.00 Ordinary-F, PLN1.00 Ordinary-G, PLN1.00 Ordinary-I, PLN1.00 Ordinary-J
Pulawska 48, 05-500 Piaseczno, Poland	
Silver Dental Clinic Sp. z.o.o.	PLN100.00 Ordinary
Szamocka 6 Street, 01-748, Warsaw, Poland	
Lux Med Onkologia Sp. z.o.o.	PLN50.00 Ordinary
ul. Elblaska 135, 80-718, Gdansk, Poland	
Centrum Opieki Medycznej Comed Sp. z.o.o.	PLN500.00 Ordinary
ul. Postepu 21 C Street, 02-676, Warsaw, Poland	
Elblaska Sp. z.o.o.	PLN50.00 Ordinary
LUX MED Sp. z.o.o.	PLN500.00 Ordinary
LUX-MED Investment S.A.	PLN50.00 Series A, PLN50.00 Series B, PLN50.00 Series C
ul. Stefana Batorego 17/19, 87-100 Torun, Poland	
Tomograf Sp. z.o.o.	PLN500.00 Ordinary
Wladyslawa Broniewskiego 3, 01-785, Warszawa, Poland	
Klinika Optimum Sp. z.o.o.	PLN Ordinary
Zygmunta Slominskiego, 5/U05 Street, Warsaw, Poland	
Smile Design Clinic Sp. z.o.o.	PLN100.00 Ordinary
Republic of Ireland	
1st Floor, 9 Exchange Place, I.F.C.S, Dublin 1, Ireland	
GK Medical and Dental Services Limited	€1.00 Ordinary

Name of Undertaking	**Share Class**
Hugh Bradley Limited	€1.00 Ordinary
Oasis Healthcare Holdings Ireland Limited	€1.00 Ordinary
Woodquay Dental Limited	€1.00 Ordinary
Xeon Dental Services Limited	€0.01 Ordinary
Second Floor, 10 Pembroke Place, Ballsbridge, Dublin, 4, Ireland	
Bupa Global Designated Activity Company	€1.00 Ordinary
Saint Kitts and Nevis	
Amory Building, Victoria Road, Basseterre, St. Kitts, Saint Kitts and Nevis	
Amedex Services Ltd. (St Kitts)	US$1.00 Capital Stock
Singapore	
600, North Bridge Road, #05-01 Parkview Square, 188778, Singapore	
Bupa Singapore Holdings Pte Ltd	SGD Ordinary
Spain	
Avda Marcelo Celayeta, 144 - Pamplona (31014), Spain	
Sanitas Mayores Navarra S.L.	€60.10 Ordinary
Avenida Generalitat Valenciana no 50, Valencia, Spain	
Especializada y Primaria L'Horta-Manises, S.A.U.	€1.00 Ordinary
c/ Eguskiaguirre no.8, 48902, Baracaldo, Bilbao, Spain	
Sanitas Mayores Pais Vasco S.A.	€120.00 Ordinary
Calle Ribera Del Loira, 52, 28042, Madrid, Spain	
Elegimosalud S.L.U	€1.00 Ordinary
Grupo Bupa Sanitas S.L.U.	€100.00 Ordinary
Sanitas Emision S.L.U.	€1.00 Ordinary
Sanitas Holding, S.L.U.	€1.00 Ordinary
Sanitas Mayores S.L.	€651.28 Ordinary
Sanitas Nuevos Negocios S.L.U.	€1.00 Ordinary
Sanitas S.L. de Diversificacion S.U.	€6.02 Ordinary
Sanitas, S.A. de Hospitales S.U.	€6.01 Ordinary
Sweden	
Box 27093, 102 51, Stockholm, Sweden	
LMG Forsakrings AB	€1,000.00 Ordinary
Turkey	
Küçükbakkalköy Mah. Basar Sok, No: 20 Atasehir, Istanbul, Turkey	
Acibadem Grubu Sigorta Aracilik Hizmetleri A.S.	TRY1.00 Ordinary
Bupa Acibadem Sigorta A.S.	TRY1.00 Ordinary
United Arab Emirates	
Unit C1204, Level 12, Burj Daman, DIFC, PO Box 507019, Dubai, United Arab Emirates	
Bupa Global Middle East (DIFC) Limited	US$1.00 Ordinary
United Kingdom	
1 Angel Court, London, EC2R 7HJ, United Kingdom	
ANS 2003 Limited[1]	£0.01 Ordinary
ANS Limited	£0.10 Ordinary
Bede Village Management Limited	£1.00 Ordinary
Belmont Care Limited[1]	£0.50 Ordinary
Bridge Health Investments Limited[1]	£1.00 Ordinary
Bupa Care Homes (AKW) Limited	£1.00 Ordinary
Bupa Care Homes (ANS) Limited	£1.00 Ordinary, £1.00 Special Share
Bupa Care Homes (Bedfordshire) Limited	£1.00 Ordinary
Bupa Care Homes (BNH) Limited	£1.00 Ordinary
Bupa Care Homes (BNHP) Limited	£1.00 Ordinary
Bupa Care Homes (CFCHomes) Limited	£1.00 Ordinary
Bupa Care Homes (CFG) plc[1]	£0.25 Ordinary
Bupa Care Homes (CFHCare) Limited	€0.000001 Redeemable Preference, £1.00 Ordinary
Bupa Care Homes (Developments) Limited	£1.00 Ordinary
Bupa Care Homes (GL) Limited	£1.00 Ordinary
Bupa Care Homes (HH Bradford) Limited	£1.00 Ordinary
Bupa Care Homes (HH Hull) Limited	£1.00 Ordinary
Bupa Care Homes (HH Leeds) Limited	£1.00 Ordinary
Bupa Care Homes (HH Northumberland) Limited	£1.00 Ordinary
Bupa Care Homes (HH Scunthorpe) Limited	£1.00 Ordinary
Bupa Care Homes (HH) Limited	£1.00 Ordinary

[1] Held directly by the Company.

Name of Undertaking	Share Class
Bupa Care Homes (Holdings) Limited[1]	£1.00 Ordinary
Bupa Care Homes Investments (Holdings) Limited[1]	£1.00 Ordinary
Bupa Care Homes (Partnerships) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Lindsay) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links Prop) Limited	£1.00 Ordinary
Bupa Care Homes (PT Links) Limited	£1.00 Ordinary
Bupa Care Homes (PT) Limited	£1.00 Ordinary
Bupa Care Services Limited[1]	£0.20 Ordinary
Bupa Foundation	Guarantee Membership Interest
Bupa Global Holdings Limited	€1.00 Ordinary, €0.01 Ordinary, £1.00 Ordinary
Bupa Health at Work Limited	£1.00 Ordinary
Bupa Healthcare Services Limited[1]	£1.00 Ordinary
Bupa Insurance Limited[1]	£1.00 Ordinary
Bupa Insurance Services Limited[1]	£1.00 Ordinary
Bupa International Markets Limited	£1.00 Ordinary
Bupa Investments Limited[1]	£1.00 Ordinary
Bupa Investments Overseas Limited[1]	AUD1.00 Redeemable Preference, CLP1.00 Redeemable Preference, €1.00 Redeemable Preference, £1.00 Ordinary, PLN1.00 Redeemable Preference, US$1.00 Redeemable Preference
Bupa Limited	£1.00 Ordinary
Bupa Occupational Health Limited	£1.00 Ordinary
Bupa Pension Scheme Trustees Limited[1]	£1.00 Ordinary
Bupa Secretaries Limited	£1.00 Ordinary
Bupa Trustees Limited	£1.00 Ordinary
Bupa Wellness Group Limited[1]	£0.01 Ordinary
Calverguild Limited	£1.00 Ordinary
Ebbgate Nursing Homes (London) Limited	£1.00 Ordinary-A
Ebbgate Nursing Homes Limited	£1.00 Ordinary
Health Dialog UK Limited	£1.00 Ordinary
Occupational Health Care Limited	£1.00 Ordinary, £1.00 Redeemable Preference
Personal Effectiveness Centre Limited	£1.00 Ordinary
Richmond Care Villages Holdings Limited[1]	£1.00 Ordinary
Richmond Care Villages (Property) Limited	£1.00 Ordinary
Richmond Coventry Limited	£1.00 Ordinary
Richmond Letcombe Limited	£1.00 Ordinary
Richmond Nantwich Developments Limited	£1.00 Ordinary
Richmond Nantwich Limited	£1.00 Ordinary
Richmond Nantwich Properties Limited	£1.00 Ordinary
Richmond Northampton Limited	£1.00 Ordinary
Richmond Northampton Management Limited	£1.00 Ordinary
Richmond Painswick Management Company Limited	£1.00 Ordinary
Richmond Villages Operations Limited	£1.00 Ordinary
Watertight Investments Limited	£1.00 Ordinary
13 Queens Road, Aberdeen, Aberdeenshire, AB15 4YL, United Kingdom	
Hillington Park Dental Practice Limited	£1.00 Ordinary
Martin and Martin Dental Care Limited	£1.00 Ordinary
MFM Community Limited	£1.00 Ordinary
Partick Dental Ltd.	£0.01 Ordinary
39 Victoria Road, Glasgow, G78 1NQ	
Bupa Care Homes (Carrick) Limited	£1.00 Ordinary
Bupa Dental Care, Vantage Office Park, Old Gloucester Road, Hambrook, Bristol, BS16 1GW, United Kingdom	
A4 Health Group Limited	£1.00 Ordinary
Aesthetic Dental Laboratory Limited	£1.00 Ordinary
Andrew Greenwood Ltd	£1.00 Ordinary
Apex Dental Care Limited	£1.00 Ordinary
Aqua Dental Spa Limited	£1.00 Ordinary
Archway Dental Practice Limited	£1.00 Ordinary
Arnica Dental Care Limited	£1.00 Ordinary
Avsan Cove Limited	£1.00 Ordinary
Avsan Dental Edinburgh Limited	£1.00 Ordinary
Avsan Ferryburn Limited	£1.00 Ordinary
Avsan Fife Limited	£1.00 Ordinary
Avsan Fleet Limited	£1.00 Ordinary
Avsan Gloucester Limited	£1.00 Ordinary
Avsan Halstead Limited	£1.00 Ordinary
Avsan Knebworth Limited	£1.00 Ordinary
Avsan Kseat Limited	£1.00 Ordinary
Avsan Queenscross Limited	£1.00 Ordinary

[1] Held directly by the Company.

Name of Undertaking	Share Class
Avsan Queensroad Limited	£1.00 Ordinary
Avsan Visage Limited	£1.00 Ordinary
B Dental Limited	£1.00 Ordinary
BASDAC (2011) LLP	Partnership Interest
BE White Ltd	£1.00 Ordinary
Bupa Dental Services Limited	£1.00 Ordinary
Caring Dentistry Ltd	£1.00 Ordinary
Cheshire Cat Orthodontics Limited	£1.00 Ordinary
Clock Tower Dental Care Limited	£1.00 Ordinary
Colchester Dental Referral Centre Limited	£1.00 Ordinary
Cranbrook Dental Practice Limited	£1.00 Ordinary
Creative Designs Dental Laboratory Limited	£1.00 Ordinary
Croft Dental Care Limited	£1.00 Ordinary
David Row Limited	£1.00 Ordinary
Den Dental Group Practice LLP	Partnership Interest
Dencraft (Leicester) Ltd	£1.00 Ordinary
Dencraft (South Yorkshire) Limited	£1.00 Ordinary
Dental Confidence Limited	£1.00 Ordinary
Dental Excellence - Harewood Practice LLP	Partnership Interest
Dentalign Colwyn Bay Ltd	£1.00 Ordinary
Dentalign Eastbourne Ltd	£1.00 Ordinary
Dentalign Orthodontics Limited	£1.00 Ordinary
Dentalign Orthodontics LLP	Partnership Interest
Dentalign Wrexham Ltd	£1.00 Ordinary
Derwent House Orthodontics Limited	£1.00 A Ordinary
Devon Smiles Limited	£1.00 Ordinary
Deysbrook Dental Surgery Limited	£1.00 Ordinary
Diamond House Dental Practice Limited	£1.00 Ordinary
Eckington Dental Practice Limited	£1.00 Ordinary
Eurodontic Limited	£1.00 Ordinary
Fairfield Dental Surgery Limited	£1.00 Ordinary
Freshdental Practice Limited	£1.00 Ordinary
Future Drilling Limited	£1.00 Ordinary
G & M Moynes Ltd	£1.00 Ordinary
Goodteeth Dental Surgeries Limited	£1.00 Ordinary
Grosvenor Orthodontic Clinic (Beckenham) Limited	£1.00 Ordinary
Harbour Way Surgery Limited	£1.00 A Ordinary
Haven Green Clinic Limited	£1.00 Ordinary
Highland Dental Care Limited	£1.00 Ordinary
Highwoods and St Johns Limited	£1.00 Ordinary
Highworth Dental Care Limited	£1.00 Ordinary
Hope Dental Practice Limited	£1.00 Ordinary, £1.00 Ordinary B
Hospital Lane Dental Clinic Limited	£1.00 Ordinary
In Store Dental Limited	£1.00 Ordinary
Iosis Clinic Limited	£1.00 Ordinary
J & M Dental Care Ltd	£1.00 Ordinary
J A Jordan & Associates Limited	£1.00 Ordinary
J.J. Thompson (Orthodontic Appliances) Limited	£1.00 Ordinary
James Taylor and Partners Limited	£1.00 Ordinary
JDH Holdings Limited	£0.10 Ordinary
Kidson Orthodontics Limited	£1.00 Ordinary
King Lane Dental Care Limited	£1.00 Ordinary
KN Wellness Ltd	£1.00 Ordinary
Lab 53 Limited	£1.00 Ordinary
Lawrence Street Dental Practice Limited	£1.00 Ordinary
Linden Dental Centre Limited	£1.00 Ordinary
Luke Barnett Clinic Limited	£1.00 Ordinary
Luke Barnett Limited	£1.00 Ordinary
Mainestream Dental Care Limited	£1.00 Ordinary
Mark Fazakerley (VHO) Limited	£1.00 Ordinary
MCM (Dental Services) Limited	£1.00 Ordinary
MDANZ Holdings Limited	£1.00 Ordinary
MDANZ Limited	£1.00 Ordinary
Metrodental Limited	£1.00 Ordinary
Milehouse Dental Care Limited	£1.00 Ordinary
Mojo-D Limited	£1.00 Ordinary
MZINC Limited	£0.01 Ordinary
Nigel Reynolds Limited	£1.00 Ordinary
NM Jones Ltd	£1.00 Ordinary
North Devon Orthodontic Centre Limited	£1.00 Ordinary
North Lakeland Ltd	£1.00 Ordinary
Oasis Dental Care (Central) Limited	£1.00 Ordinary
Oasis Dental Care (Southern) Holdings Limited	£0.10 B Ordinary, £1.00 Ordinary A, £1.00 Ordinary B, £0.10 Ordinary C, £0.10 Ordinary D, £0.10 Ordinary E
Oasis Dental Care (Southern) Limited	£1.00 Ordinary

Name of Undertaking	Share Class
Oasis Dental Care Limited	£1.00 Ordinary
Oasis Healthcare Limited	£0.01 Ordinary
Oral Implantology Limited	£1.00 Ordinary
Ortho 2008 Limited	£1.00 Ordinary
Orthoscene Limited	£1.00 Ordinary
Oswestry Dental Laboratory Limited	£1.00 Ordinary
Paul Coulthard Ltd	£1.00 Ordinary
Pembury TM Limited	£1.00 Ordinary
Perlan Limited	£1.00 Ordinary
Peter Baldwin (VHO) Limited	£1.00 Ordinary
Priors Croft Dental Practice Limited	£1.00 Ordinary
Private Dental Services Ltd	£1.00 Ordinary
Quantum Ortho Limited	£1.00 Ordinary
Quest Dental Care LLP	Partnership Interest
Raglan Suite Limited	£1.00 Ordinary
Ratcliffe Dental Limited	£1.00 Ordinary
Richley Dental Ceramics Limited	£1.00 Ordinary
Rise Park Dental Practice Limited	£0.10 Ordinary A, £0.10 Ordinary B
Roberts-Harry Clinic Ltd	£1.00 Ordinary
Shaw & Associates Dental Surgeons Ltd	£1.00 Ordinary
Silverwell Surgery Ltd	£1.00 Ordinary
Siobhan Owen Limited	£1.00 Ordinary
Smile Dental Care Ltd	£1.00 Ordinary
Smile Lincs Limited	£1.00 Ordinary
Steeple Grange Smiles Limited	£1.00 Ordinary
Stephen E B Jones Ltd	£1.00 Ordinary
Stob Dearg Limited	£1.00 Ordinary
Stop the Clock Dental Care Limited	£1.00 Ordinary
Store Dental Care Limited	£1.00 Ordinary
Synergy Ceramics Ltd	£1.00 Ordinary
TDK Dental Limited	£0.50 Ordinary A
The Adams and Lee Dental Practice Ltd	£1.00 Ordinary
The Bramhope Dental Clinic Limited	£1.00 Ordinary
The Clinic Dental Facial Limited	£1.00 Ordinary
The Dental Solutions Centre Ltd	£0.02 Ordinary
The Exeter Dental Centre Limited	£1.00 Ordinary
The Facial Aesthetics & Dental Centre Ltd	£1.00 Ordinary
The Oasis Healthcare Group Limited[1]	£1.00 Ordinary
The Smile Centres Limited	£1.00 Ordinary
The Spire Halifax Limited	£1.00 Ordinary
The Tutbury Dental Practice Limited	£1.00 Ordinary
Tidge and Lou Limited	£1.00 Ordinary
Tooth Fixer Limited	£1.00 Ordinary
Total Orthodontics Limited	£1.00 Ordinary
Ultimate Smile Spa Ltd	£1.00 Ordinary
Wessington Way Limited	£0.10 Ordinary
Whole Tooth Limited	£1.00 Ordinary
Wimborne Total Dental Care Limited	£1.00 Ordinary
Windslade Limited	£1.00 Ordinary
Winning Smiles (Gillingham) Limited	£1.00 Ordinary
Wylde Green Orthodontics LLP	Partnership Interest
Wylye Valley Dentistry Limited	£1.00 Ordinary
Xeon Smiles UK Limited	£1.00 Ordinary
Cromwell Hospital, Cromwell Road, London, SW5 0TU	
Cromwell Health Group Limited[1]	£1.00 A Ordinary
Medical Services International Limited	£1.00 Ordinary
Mind Your Business (Ni) Ltd, 1 Elmfield Avenue, Warrenpoint, Newry, County Down, BT34 3HQ, Northern Ireland	
Belfast Orthodontic Clinic Ltd	£1.00 Ordinary
Blueapple Dental and Implant Team Limited	£1.00 Ordinary
Cranmore Excellence in Dentistry Limited	£1.00 Ordinary
DE (Belmont Road) Ltd	£1.00 Ordinary
Fortwilliam and Ballymena Specialist Dental Clinics Limited	£1.00 Ordinary
Smiles Dental Practices North Limited	£1.00 Ordinary
United States	
17901 Old Cutler Road, Suite 400, Palmetto Bay FL 33157, United States	
Bupa Insurance Company	US$1.25 Capital Stock
Bupa Investment Corporation, Inc.	US$1.00 Capital Stock
Bupa U.S. Holdings, Inc.	US$0.01 Common Stock
Bupa Worldwide Corporation	US$5.00 Capital Stock

[1] Held directly by the Company.

Name of Undertaking	Share Class
U.S.A. Medical Services Corporation	US$5.00 Capital Stock

Other Undertakings
The related undertakings listed below are not wholly owned by the Company. The proportion of the nominal value of each share class held indirectly by the Company is shown below, unless otherwise stated.

Name	Share Classes	Actual % of share class held
Australia		
Level 16, 33 Exhibition Street, Melbourne VIC 3000, Australia		
Mobile Dental Pty Ltd	AUD Ordinary	49.00
Level 3, 60-62 Clarence Street, Sydney NSW 2000, Australia		
Whitecoat Holdings Pty Ltd	AUD Ordinary	23.48
Whitecoat Operating Pty Ltd	AUD Ordinary	100.00
Bahrain		
Flat 207, Building 743, Road 831, Block 408, Sanabis, Bahrain		
Bupa Middle East Holdings Two W.L.L.	BHD50.00 Ordinary	75.00
British Virgin Islands		
Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands		
Altai Investments Limited	HKD1.00 Ordinary, USD1.00 Ordinary	100.00
Berkshire Group Limited	USD1.00 Ordinary	100.00
Dynamic People Group Limited	USD1.00 Ordinary	100.00
Chile		
Anabaena N° 336, Comuna Viña del Mar, Region Valparaiso, Chile		
Clinica Renaca S.A.	CLP Ordinary	100.00
Desarrollo E Inversiones Medicas S.A.	CLP Ordinary	96.97
Promotora De Salud S.A.	CLP Ordinary	67.03
Sociedad Medica Imageneologia Clinica Renaca Limitada	CLP Social Rights	80.00
Av. Matta No 1868, Comuna Antofagasta, Region Antofagasta, Chile		
Sociedad Medico Quirurgica De Antofagasta S.A.	CLP Ordinary	100.00
Cerro Colorado N° 5240, Piso 11, Comuna Las Condes, Region Metropolitana, Chile		
Isapre Cruz Blanca S.A.	CLP Ordinary	99.73
Dr. Juan Noe N° 1370, Comuna Arica, Region Arica y Parinacota, Chile		
Corporacion Medica de Arica S.A.	CLP Ordinary	68.97
Sociedad De Inversiones Pacasbra S.A.	CLP Ordinary	100.00
Los Militares N° 4777, Torre I, Piso 8, Comuna de Las Condes, Region Metropolitana, Chile		
Bupa Servicios de Salud SpA	CLP Ordinary	100.00
Examenes De Laboratorio S.A.	CLP Ordinary	100.00
Integramedica S.A.	CLP Ordinary	99.99
Recaumed S.A.	CLP Ordinary	58.40
Sonorad II S.A.	CLP Ordinary	100.00
Manuel Antonio Matta N° 1868, Comuna Antofagasta, Region Antofagasta, Chile		
Inmobiliaria Centro Medico Antofagasta S.A.	CLP Ordinary	99.99
Manuel Antonio Matta N° 1945, Comuna Antofagasta, Region Antofagasta, Chile		
Centro Medico Antofagasta S.A.	CLP Ordinary	100.00
Inversiones Clinicas Pukara S.A.	CLP Ordinary	85.88
Servicios Y Abastecimiento A Clinicas S.A.	CLP Ordinary	100.00
Sociedad De Resonancia Magnetica Del Norte S.A.	CLP Ordinary	100.00
Sociedad Instituto De Cardiologia Del Norte Limitada	CLP Social Rights	50.00
Pedro Aguirre Piso 5, Cerda N° 843, Comuna Arica, Region Arica y Parinacota, Chile		
Centro De Diagnostico Avanzado San Jose S.A.	CLP Ordinary	100.00
Centro De Imagenes Medicas Avanzadas San Jose S.A.	CLP Ordinary	70.00
China		
Room 07-08, 3rd floor, Building 1, 21st Century Plaza, 40A Liangmaqiao Road, Chaoyang District, Beijing, 100125, China		
Bupa Consulting (Beijing) Co. Ltd.	HKD1.00 Ordinary	100.00
Unit 03, 13/F, No.604 RenMin North Road, Yuexiu District, Guangzhou, China		
Guangzhou Bupa Hospital Management Company Limited	CNY1.00 Ordinary	100.00
Unit 305A -305, 3/F, GT Land Autumn Plaza, No.11, 13 ZhuJiang East Road, ZhuJiang New Town, Tianhe District, Guangdong Province, China		

Name	Share Classes	Actual % of share class held
Guangzhou Bupa Quality HealthCare General Outpatient Department Company Limited	CNY1.00 Ordinary	100.00
Hong Kong		
18/F Berkshire House, 25 Westlands Road, Quarry Bay, Hong Kong		
Bupa (Asia) Limited	HKD10.00 Ordinary	100.00
Bupa International Limited	HKD Ordinary	99.99
Bupa Limited	HKD1.00 Ordinary	100.00
Horizon Health and Care Limited	HKD Ordinary	100.00
3rd Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong		
Allied Medical Practices Guild Limited	HKD1.00 Ordinary	100.00
Alpha Medical MRI (TST) Limited	HKD10,000.00 Ordinary	65.00
Central Medical Diagnostic Centre Limited	HKD1.00 Ordinary	74.49
Central MRI Centre Limited	HKD1.00 Ordinary	100.00
Central PET/CT Scan Centre Limited	HKD1.00 Ordinary	100.00
DB Health Services Limited	HKD1.00 Ordinary	100.00
Eplushealth Limited	HKD1.00 Ordinary	100.00
Great Option Limited	HKD1.00 Ordinary	100.00
Jadeast Limited	HKD1.00 Ordinary	100.00
Jadefairs International Limited	HKD1.00 Ordinary	100.00
Jadison Investment Limited	HKD1.00 Ordinary	100.00
Jadway International Limited	HKD1.00 Ordinary	100.00
Marvellous Way Limited	HKD1.00 Ordinary	100.00
Megafaith International Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Dental Services Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Medical Centre Limited	HKD100.00 Ordinary	100.00
Quality HealthCare Medical Services Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Nursing Agency Limited	HKD10.00 Ordinary	100.00
Quality HealthCare Physiotherapy Services Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Professional Services Limited	HKD1.00 Ordinary	100.00
Quality HealthCare Psychological Services Limited	HKD1.00 Ordinary	100.00
Room 901B-03A, 9th Floor, Skyline Tower, 39 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong		
Quality Healthcare TPA Services Limited	HKD1.00 Ordinary	100.00
India		
Max House, 1, Dr Jha Marg, Okhla, New Delhi, 110020, India		
Max Bupa Health Insurance Company Limited[1]	INR10.00 Ordinary	44.42
Macao		
Rua De Xangai No. 175 Edif., Associacao Comercial De Macau, 11 Andar, K, Macau		
Quality EAP (Macau) Limited	MOP1.00 Ordinary	100.00
Quality Healthcare Medical Services (Macau) Limited	MOP1.00 Ordinary	100.00
Peru		
Av. Guardia Civil N° 664, Comuna San Isidro, Region Lima, Peru		
Anglolab S.A	PEN Ordinary-A	100.00
	PEN Ordinary-B	50.00
MediPeru S.A.C	PEN Ordinary	99.97
Poland		
Al. Niepodleglosci 18, 02-653, Warsaw, Poland		
Endoterapia PFG Sp. z.o.o.	PLN50.00 Ordinary	40.00
Marszalkowska 99 A lok. 5B Street, 00-693, Warsaw, Poland		
Centrum Edukacyjne Medycyny Sportowej Sp. z.o.o.	PLN50.00 Ordinary	50.00
Porebskiego 9 Street, 81-185, Gdynia, Poland		
Niepubliczny Zaklad Opieki Zdrowotnej Przychodnia Lekarska "POGORZE" Sp. z.o.o.	PLN200.00 Ordinary	88.15
ul. Dluga 43, 05-510 Konstancin Jeziorna, Poland		
Lux Med Tabita Sp. z.o.o.	PLN100.00 Ordinary	88.00
Saudi Arabia		
Al-Khalidiyah-Nour Al Ehsan 3538, Unit 1 Jeddah 7505-23423, P.O. Box 23807, Jeddah, 21436, Saudi Arabia		
Bupa Arabia For Cooperative Insurance Company	SAR10.00 Ordinary	43.25
Prince Sultan St, Al Mohammediyah Dist., PO Box 260, Jeddah, 21411, Saudi Arabia		
Nazer Bupa Medical Equipment Company Limited	SAR1,000.00 Ordinary	50.00

[1] Part held by nominees.

Name	Share Classes	Actual % of share class held
Spain		
Avenida República Argentina, Número 6, Entreplanta, Seville, Spain		
Clinicas Ginemed S.L.	€6.02 Ordinary	70.00
Calle Arenal Numero 22, 3 Derecha, Madrid, Spain		
Foren Project S.L.	€1.00 Ordinary	20.00
Calle Ribera Del Loira, 52, 28042, Madrid, Spain		
Fundacion Sanitas[1]	€1.00 Contribution	100.00
Sanitas S.A. de Seguros	€0.68 Ordinary	99.91
United Kingdom		
1 Angel Court, London, EC2R 7HJ, United Kingdom		
Fulford Grange Medical Centre Limited	£1.00 'A' Ordinary	100.00
Ground Floor, Bury House, 31 Bury Street, London, EC3A 5AR, United Kingdom		
Healthbox Europe 1 LP	Partnership Interest	37.00
Swan Court, Waterman's Business Park, Kingsbury Crescent, Staines, Surrey, England, TW18 3BA, United Kingdom		
Healthcode Limited	£1.00 A Ordinary	100.00
	£1.00 E Ordinary	20.00
Wilson House Waterberry Drive, Waterlooville, Hampshire, PO7 7XX, United Kingdom		
London Oncology and Wellbeing Centre Limited	£1.00 B Shares	100.00
	£1.00 Ordinary	42.15
United States		
933 First Avenue, King of Prussia PA 19406, United States		
Highway to Health, Inc	US$0.01 Ordinary	49.00
HTH Re, Ltd	US$1.00 Ordinary	100.00
HTH Worldwide, LLC	US$1.00 Ordinary	100.00
Worldwide Insurance Services, LLC	US$1.00 Ordinary	100.00

[1] The Sanitas Foundation.

Five-year financial summary

Five-year financial summary

The five-year financial summary is presented to better understand trends.

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Revenue - segmental analysis					
Australia and New Zealand	**4,737**	4,652	4,656	4,927	4,360
Europe and Latin America	**3,765**	3,853	3,499	3,346	2,754
Bupa Global and UK	**3,122**	3,323	3,288	3,537	3,502
Other businesses	**494**	488	417	440	433
Net reclassifications to other expenses or financial income and expenses	**-**	-	(1)	(1)	(1)
Consolidated total revenues	**12,118**	12,316	11,859	12,249	11,048
Claims and expenses					
Operating expenses (including claims)	**(11,527)**	(11,733)	(11,112)	(11,399)	(10,329)
Impairment of goodwill	**-**	(422)	(35)	(1)	-
Impairment of other intangible assets arising on business combinations	**(11)**	(21)	(4)	(16)	(21)
Other income and charges	**1**	(42)	(53)	(99)	(39)
Total claims and expenses	**(11,537)**	(12,218)	(11,204)	(11,515)	(10,389)
Profit before financial income and expense	**581**	98	655	734	659
Net financial expense	**(79)**	(63)	(41)	(8)	(29)
Profit before tax expense	**502**	35	614	726	630
Taxation expense	**(117)**	(154)	(211)	(155)	(154)
Profit/(loss) for the financial year	**385**	(119)	403	571	476
Attributable to:					
Shareholder of Bupa Finance plc	**383**	(121)	397	567	471
Non-controlling interests	**2**	2	6	4	5
Profit/(loss) for the financial year	**385**	(119)	403	571	476
Equity					
Share capital	**200**	200	200	200	200
Property revaluation reserve	**699**	692	700	796	706
Income and expense reserve	**5,542**	5,310	5,640	5,221	4,644
Cash flow hedge reserve	**21**	21	20	22	15
Foreign exchange translation reserve	**266**	237	464	558	595
Equity attributable to shareholder of Bupa Finance plc	**6,728**	6,460	7,024	6,797	6,160
Equity attributable to non-controlling interests	**18**	17	20	30	31
Total equity	**6,746**	6,477	7,044	6,827	6,191

International Financial Reporting Standards relevant to Bupa Finance plc

International Financial Reporting Standards (IFRS)

IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

International Accounting Standards (IAS)

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Reporting Date
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 40	Investment Property

Interpretations

IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 21	Levies
IFRIC 22	Foreign Currency Transactions and Advanced Consideration
IFRIC 23	Uncertainty over Income Tax Treatments
SIC 29	Service Concession Arrangements: Disclosures
SIC 32	Intangible Assets – Website Costs

Disclaimer: Cautionary statement concerning forward-looking statements

Bupa undertakes no obligation to update the forward looking statements in this report or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made.

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